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RECORDATION NO. Filed 1425

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GRAVATH, SWAINE & MOORE

INTERSTATE COMMERCE COMMISSION

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INTERSTATE COMMERCE COMMISSION

Date FEB 8 1980
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ICE Washington, D. C.

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February 8, 1980

INTERSTATE COMMERCE COMMISSION

Chicago and North Western Transportation Company
Lease Financing Dated as of November 30, 1979

10-1/2% Conditional Sale Indebtedness Due January 2, 1997

[CS&M Ref: 2043-965A]

Dear Ms. Mergonovich:

Pursuant to 49 U.S.C. § 11303(a), I enclose here-
 with on behalf of Chicago and North Western Transportation
 Company, for filing and recordation, counterparts of the
 following:

Need Number

(1) (a) Conditional Sale Agreement dated as of
 November 30, 1979, among The Connecticut Bank and
 Trust Company, Greenville Steel Car Company and
 Pullman Incorporated (Pullman Standard Division); and

- A

(b) Agreement and Assignment dated as of November
 30, 1979, among Greenville Steel Car Company, Pullman
 Incorporated (Pullman Standard Division) and Continental
 Illinois National Bank and Trust Company of Chicago;

- B

(2) (a) Lease of Railroad Equipment dated as of
 November 30, 1979, between Chicago and North Western
 Transportation Company and The Connecticut Bank and
 Trust Company; and

- C on next page

Countersigned by Penusky

(b) Assignment of Lease and Agreement dated as of November 30, 1979, between The Connecticut Bank and Trust Company and Continental Illinois National Bank and Trust Company of Chicago.

The addresses of the parties to the aforementioned agreements are:

Lessor-Trustee-Vendee:

The Connecticut Bank and Trust Company,
One Constitution Plaza,
Hartford, Connecticut 06115.

Builders-Vendor:

Greenville Steel Car Company,
P.O. Box 751,
Greenville, Pennsylvania 16125.

Pullman Incorporated (Pullman Standard Division),
200 South Michigan Avenue,
Chicago, Illinois 60604.

Lessee:

Chicago and North Western Transportation Company,
400 West Madison Street,
Chicago, Illinois 60606.

Agent-Vendor-Assignee:

Continental National Bank and Trust Company
of Chicago,
30 North LaSalle Street,
Chicago, Illinois 60693.

The equipment covered by the aforementioned agreements consists of the following:

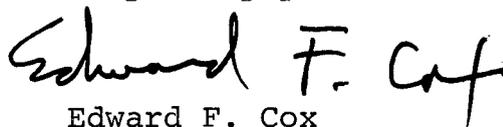
150 65' 6" 100-ton Gondola Cars bearing Lessee's Identification Numbers CNW 128000 through CNW 128149; and

600 4,750 cu. ft. 100-ton covered Hopper Cars bearing Lessee's Identification Numbers CNW 178000 through CNW 178599.

The equipment also bears the legend "Ownership Subject to a Security Agreement filed with the Interstate Commerce Commission".

Enclosed is our check for \$100 for the required recordation fee. Please accept for recordation one counterpart of each of the enclosed agreements, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt addressed to the undersigned.

Very truly yours,



Edward F. Cox
As Agent for
Chicago and North Western
Transportation Company

Agatha Mergenovich, Secretary,
Interstate Commerce Commission,
Washington, D.C. 20423

Encls.

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11476-B

RECORDATION NO. Filed 1425

FEB 8 1980 -2 15 PM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of November 30, 1979

between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Lessee,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
as Trustee Under a Trust Agreement,
Lessor

[14th HFCL 1980 Trust covering 600
Covered Hopper and 150 Gondola Cars]

TABLE OF CONTENTS*

	<u>Page</u>
§ 1. Net Lease	L-2
§ 2. Delivery and Acceptance of Units	L-3
§ 3. Rentals	L-3
§ 4. Term of Lease	L-7
§ 5. Identification Marks	L-7
§ 6. Taxes	L-8
§ 7. Maintenance; Casualty Occurrences; Insurance ..	L-12
§ 8. Reports and Inspection	L-15
§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification	L-16
§ 10. Default	L-21
§ 11. Return of Units upon Default	L-26
§ 12. Assignment; Possession and Use	L-28
§ 13. Right of Renewal; Right of First Refusal	L-30
§ 14. Return of Units upon Expiration of Term	L-33
§ 15. Recording	L-35
§ 16. Tax Indemnities	L-36
§ 17. Interest on Overdue Rentals	L-44
§ 18. Notices	L-44
§ 19. Severability; Effect and Modification of Lease; Third-Party Beneficiaries	L-44
§ 20. Immunities	L-45
§ 21. Definitions	L-46
§ 22. Execution	L-46
§ 23. Law Governing	L-46
 Schedule A. Specifications of the Equipment	 L-49
Schedule B. Casualty Value Percentage Schedule	L-50
Schedule C. Certificate of Inspection and Acceptance	L-51

* This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of November 30, 1979, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not individually but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), with Fourteenth HFC Leasing Corporation (the "Owner").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with Greenville Steel Car Company and Pullman Incorporated (Pullman Standard Division) (individually a "Builder" and collectively the "Builders"), wherein the Builders have agreed to manufacture and conditionally sell to the Lessor, the units of railroad equipment described in Schedule A hereto (the "Equipment");

WHEREAS the Builders are assigning their interests in the CSA to Continental Illinois National Bank and Trust Company of Chicago, acting as agent (said bank, as so acting, being hereinafter together with its successors and assigns and, where not inconsistent with the provisions hereof, Investors, as hereinafter defined, called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Owner, HFC Leasing Inc., and the parties named in Schedule A thereto (said parties, together with their successors and assigns, being hereinafter called the "Investors");

WHEREAS the Lessee desires to lease such number of units of Equipment as are delivered to and accepted by the Vendee and settled for under the CSA (the "Units") at the rentals and upon the terms and conditions hereinafter provided; and

WHEREAS the parties contemplate that the Lessor will assign, for security purposes, certain of its rights in this Lease to the Vendor by an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment"), and the Lessee will consent thereto by a Lessee's Consent and Agreement (the "Consent");

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or additional rent, or setoff against or recoupment or reduction of rent or additional rent, including, but not limited to, abatements, setoffs, reductions or recoupments due or alleged to be due by reason of any past, present or future claims or counterclaims of the Lessee against the Lessor under this Lease or the CSA, or against the Owner, either Builder or the Vendor or otherwise. The Lessee's obligations hereunder, including its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional under any and all circumstances, and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect, whether latent or patent, in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a unit to the Lessor under the CSA shall be deemed to be a delivery to the Lessee under this Lease at the point or points within the United States of America at which such Unit is delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of inspection and acceptance (the "Certificate of Inspection and Acceptance") substantially in the form annexed hereto as Schedule C, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee hereunder and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit of Equipment excluded from the CSA pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such Unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever.

§ 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit, 2 interim and 40 consecutive semiannual rental payments in arrears. The interim rental payments are payable on July 1, 1980, and January 2, 1981 (the latter date being hereinafter called the "Basic Rent Commencement Date"). The 40 semiannual rental payments are payable on January 2 and July 1 in each year, commencing July 1, 1981, to and including January 2, 2001 (each of such dates on which interim rental payments are payable and such 40 consecutive dates being hereinafter called a "Rental Payment Date"). The interim rental payment due on July 1, 1980, for any Unit shall be in an amount equal to the product of (a) the number of actual days elapsed from and including the Closing Date (as defined in the CSA) for such Unit to, but not including, July 1, 1980, times (b) .0287671239% of the Purchase Price (as defined in the CSA) of such Unit (the "Interim Rental Factor"). The interim rental payment due on the Basic Rent Commencement Date for any Unit shall be in an amount equal to (a) the number of actual days elapsed from and including the later of July 1, 1980, and the Closing Date for such Unit to, but not including, the Basic Rent Commencement Date, times (b) the Interim Rental Factor. The next 20 semiannual rental payments shall each be in an amount equal to 3.75177% of the Purchase Price of each Unit. The subsequent 20 semiannual rental payments shall each be

in an amount equal to 4.58183% of the Purchase Price of each Unit. The Lessee and the Lessor agree that, except as hereinafter provided, the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be adjusted upward or downward in the event that (A) any amendment to, or change in, the Internal Revenue Code of 1954, as amended (the "Code"), the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations is enacted or has an effective date on or prior to January 1, 1981, (B) any Closing Date is held on a date which causes March 15, 1980 (the 75th day of 1980), not to be the average of all Closing Dates for all Units (the average of all Closing Dates shall be a weighted average and shall be determined by (i) multiplying the number of Units purchased by the Vendee on each Closing Date by the actual number of days elapsed from and including January 1, 1980, to such Closing Date (the "Unit Days"), (ii) adding together the Unit Days for all Closing Dates ("Total Unit Days"), and (iii) dividing such Total Unit Days by the aggregate number of Units purchased by the Vendee and leased hereunder), (C) there occurs any material change in the description of the Units leased hereunder from the Units contemplated as shown on Schedule A hereto or (D) any Unit is placed in service after June 30, 1980. If the amendment to or change in the Code, regulations or interpretations described in the preceding sentence results in an increase in the investment credit, referred to in § 16(a)(i) hereof, available to the Owner, the Lessee shall be paid a cash rebate. Any rental adjustment (which may result in rentals of even or uneven amounts) shall be effective as of the first Rental Payment Date following the event giving rise to such adjustment. Any rental adjustment or any cash rebate shall be made in such manner as will result, in the Owner's reasonable judgment, in preserving for the Owner both the after-tax rate of return and the after-tax cash flow that would have been realized by such Owner had such event not occurred, (i) based on the rates of Federal, state and local taxes on, or measured by, net income in effect from time to time, and (ii) in all other respects based on the assumptions and methods of calculation utilized by the Owner in originally evaluating the transaction described in this Lease and related documents (such after-tax cash flow and after-tax rate of return being hereinafter called the "Return and Cash Flow Requirement"). Any provision hereof to the contrary notwithstanding, the rentals payable and Casualty Value percentages will never be less than those amounts and percentages required (x) to enable the Lessor to satisfy

its obligations to pay or prepay the CSA Indebtedness and interest thereon, regardless of any limitation of liability set forth in the CSA, and (y) to enable the Owner to satisfy all the requirements set forth in Rev. Proc. 75-21, 1975-1 Cum. Bull. 715 (except Section 5.01 thereof), as such requirements may be modified or adjusted as of the applicable Rental Payment Date or the date of the cash rebate, it being understood that any such cash rebate shall be taken into account as a reduction of total rentals payable for purposes of this clause (y). The Owner shall furnish the Lessee and the Vendor prior to the effective date of any rental adjustment or any cash rebate with a notice setting forth in reasonable detail the computations and methods used in computing such rental adjustment or cash rebate. If the rental reductions that become effective pursuant to this paragraph would not, over the remainder of the original term of this Lease, enable the Lessee to recover all the rental reductions to which it is entitled, then the Lessee shall also be entitled to, and the Lessor shall pay during the remainder of the original term of this Lease (and, if necessary to effectuate receipt by the Lessee of the maximum permissible rental reductions and cash rebates, during any renewal term) one or more cash rebates in the maximum amount which, together with the rental reductions received, would satisfy the requirements of clause (y) of the second preceding sentence and the Return and Cash Flow Requirements, taking into account the time each rental reduction or cash rebate was delayed on account of the requirements of clauses (x) and (y) of the second preceding sentence. If the Lessee is entitled to a rental reduction or a cash rebate pursuant to this paragraph but for the requirements of Rev. Proc. 75-21 (except Section 5.01 thereof) that are in effect on the applicable Rental Payment Date and such requirements are subsequently superseded or amended to permit or otherwise apply to permit, all or part of such rental reductions or cash rebates, then the Lessee shall be entitled to the maximum rental reductions or cash rebates, or both, during the original and any renewal term of this Lease that are permissible under Rev. Proc. 75-21 (except Section 5.01 thereof), effective as of the first Rental Payment Date following the date of such amendment and that will satisfy the Return and Cash Flow Requirements, taking into account the time each rental reduction or cash rebate was delayed on account of the requirements of Rev. Proc. 75-21.

In addition to the rentals set forth above, the

Lessee agrees to pay to the Lessor as additional rentals amounts which, after deduction of any taxes payable in respect of such amounts, will be equal to the amounts required by the Lessor to make the payments provided for (a) in the third from last sentence of the third paragraph of Paragraph 2 of the Participation Agreement and (b) in Paragraph 10 of the Participation Agreement to the extent that the remaining cash and proceeds of the Investments (as defined therein) available to the Lessor as specified in said paragraph are insufficient to enable the Lessor to make such payment, in each case on the dates the Lessor is required to make such payments (without regard to any limitation of the obligation of the Lessor set forth therein) and the Lessor agrees to apply such rentals for such purposes.

If any of the Rental Payment Dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next preceding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, New York, New York, or Hartford, Connecticut, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, but excluding all payments not assigned to the Vendor pursuant to the Lease Assignment, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the CSA, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor by 10:00 a.m., Chicago time, on the date such payment is due.

Notwithstanding any other provision hereof, to the extent that, prior to termination of this Lease, the Lessee shall be denied possession or use of a Unit because of the

exercise of any right or remedy of the Vendor under the CSA upon the occurrence of a default under the CSA which does not result from an Event of Default under this Lease, the Lessee shall have no further obligation to make any additional rental payments for such Unit with regard to periods subsequent to and during its loss of such possession or use of such Unit.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the final Rental Payment Date. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9, 14 and 16 hereof) shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Schedule A hereto, and will keep and maintain plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission", with appropriate changes thereof as from time to time may be required by law, in the opinion of the Vendor and the Lessor, in order to protect the Lessor's and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have

been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed and deposited, that such filing and deposit will protect the Vendor's and the Lessor's rights in such Units and that no other filing, deposit or giving of notice with or to any Federal, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor (in both its individual and fiduciary capacities) or the Owner for collection or other charges and will be free of expense to the Lessor (in both its individual and fiduciary capacities) or the Owner with respect to the amount of any Federal, state, local or foreign taxes (including income, gross receipts, franchise, sales, use, property (real or personal, tangible or intangible), stamp and minimum (imposed under Section 56 of the Internal Revenue Code of 1954, as amended) taxes), or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions") hereafter levied or imposed upon or in connection with or measured by any Unit or this Lease or any manufacture, sale, rental, ownership, possession, use, payment, shipment, delivery, nondelivery, rejection, transfer of title, return or other disposition of the Equipment or any interest therein (other than a transfer or disposition of any Unit or interest therein by the Lessor or the Owner or of the Lessor's or Owner's interest in this Lease or the rentals payable hereunder prior to the occurrence of an Event of

Default hereunder, whether such transfer or disposition is voluntary or involuntary, or following return of any Unit in accordance with § 14 hereof), under the terms hereof or the CSA (other than any United States Federal income tax on or measured by the net income of the Owner in consequence of the receipt of payments provided for herein and other than the aggregate of all state or local taxes on or measured by the net income of the Owner or the Lessor based on such receipts and value added taxes in lieu of such net income taxes up to the amount of any such taxes which would be payable to the state and city in which the Owner or the Lessor, as the case may be, has its principal place of business without apportionment to any other state, and other than any state franchise tax which is not based on or measured by net income, except any such tax which is in substitution for, or relieves the Lessee from the payment of, taxes which the Lessee would otherwise be obligated to pay pursuant to this § 6), all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the receipts or earnings arising therefrom (except as provided above) or upon the Lessor by reason of its ownership thereof or the Owner by reason of its interest therein and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or the interest of the Owner or the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as such imposition remains unpaid and the Lessee is contesting in its own name and in good faith and by appropriate legal or administrative proceedings such impositions, or the Lessor or the Owner, as the case may be, is required to contest such impositions as provided in this § 6, and the nonpayment thereof does not, in the reasonable opinion of such party, adversely affect the title, property or rights of the Lessor or the Owner hereunder or the Lessor or the Vendor under the CSA. The Lessee agrees to give such party notice of such contest brought in the Lessee's name within 30 days after institution thereof and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any impositions shall have been charged or levied against such party directly and paid by such party, the Lessee shall pay such party on

presentation of an invoice therefor if such party shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for such party) or the Lessee shall have approved the payment thereof, and such party agrees to give the Lessee written notice promptly after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such imposition, as hereinafter provided in this § 6.

In the event that the Lessor shall become obligated to make any payment to a Builder or the Vendor or otherwise pursuant to any corresponding provision of the CSA not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor to fulfill completely its obligations pursuant to said provision; provided, however, that the Lessor shall have contested (if required to do so under this § 6) such impositions in good faith and to the extent permitted under the CSA.

In the event any returns, statements or reports with respect to impositions are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor, the Owner and the Vendor in such Units, as shall be satisfactory to the Lessor, the Owner and the Vendor or, where not so permitted, will notify the Lessor, the Owner and the Vendor of such requirement and will prepare and deliver such reports to the Lessor, the Owner and the Vendor within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor, the Owner and the Vendor.

In the event that, with respect to any period during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration or termination of this Lease, until all such impositions are paid or reimbursed by the Lessee.

If claim is made against any indemnified party for any impositions indemnified against under this § 6, such party shall promptly notify the Lessee. If reasonably requested by the Lessee in writing and so long as the Lessee is prohibited or impaired from doing so in its own name, such indemnified party shall, upon receipt of indemnity satisfactory to it for all costs, expenses, losses, legal

and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such impositions by (a) resisting payment thereof if legally permissible, (b) not paying the same except under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. If such indemnified party shall obtain a refund of all or any part of such impositions previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon applicable to the amount paid by the Lessee and the period of such payment, such indemnified party shall pay to the Lessee the amount of such refund or interest net of expenses, but only if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing.

The Lessee shall, whenever reasonably requested by the Lessor or the Owner, submit to such party copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to such party of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as such party reasonably may require to permit such party's compliance with the requirements of taxing jurisdictions, including data available to the Lessee relating to use of any Unit outside the United States.

The amount which the Lessee shall be required to pay with respect to any imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the indemnified party to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that such indemnified party would have been in had such imposition not been imposed.

The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the payment of any installments of principal or interest payable under the CSA, or a guarantee of any residual value of the Units following the expiration of the term hereof as such term may or may not be renewed.

§ 7. Maintenance; Casualty Occurrences; Insurance.

The Lessee at its own expense will maintain and service each Unit (including any parts installed or replacements made to any unit and considered an Addition [as defined in § 9 hereof] hereunder) which will include testing, repair and overhaul of each Unit so that each Unit will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations and (c) eligible for railroad interchange in accordance with the interchange rules of the Association of American Railroads, if such rules are applicable.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or irreparably damaged, from any cause whatsoever, permanently returned to the Builder thereof pursuant to any patent indemnity provision of the CSA, or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of this Lease or for an indefinite period, but only when such period shall exceed the term hereof (or, if such taking, requisition or condemnation shall occur during a renewal term, for a stated period which shall exceed the then remaining renewal term or for an indefinite period, but only when such period shall exceed such renewal term), or by any other government or governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly (but in any event within 30 days after such Casualty Occurrence) and fully notify the Lessor, the Owner and the Vendor with respect thereto. On the Rental Payment Date next succeeding such notice (the "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on the Casualty Payment Date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the Casualty Payment Date. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or permanent return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit.

The "Casualty Value" of each Unit as of any Rental Payment Date shall be an amount equal to that percentage of

the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date; provided, however, that if the Casualty Value for any Unit as of such payment date as determined pursuant to Schedule B reflects an amount representing investment credit recapture to the Owner that is greater or lesser than the actual amount of investment credit recapture incurred by the Owner as a result of the Casualty Occurrence to such Unit, the Casualty Value for such Unit as so determined shall be appropriately decreased or increased so as to reflect the actual amount of investment credit recapture incurred by the Owner as a result of the Casualty Occurrence to such Unit.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is due pursuant to § 3 hereof and before (a) such Unit shall have been returned in the manner provided in § 14 hereof, and (b) the storage period therein provided with respect to such Unit shall have expired, the Lessee shall promptly (as provided above) and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall, except as otherwise provided in § 13 hereof, be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit or return to the Builder of such Unit), the Lessor shall be entitled to recover possession of such Unit.

In the event of the requisition (other than a requisition which constitutes a Casualty Occurrence) for use by the United States Government or by any other government or governmental entity (hereinafter collectively called the "Government") of any Unit during the term of this Lease or any renewal thereof, all of the Lessee's obligations (including, without limitation, the obligation to pay rent) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor

or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence, or any component thereof, at the best price obtainable on an "as is, where is" basis and the Lessee shall notify the Lessor and the Owner prior to any such sale. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit plus the Lessee's out-of-pocket expenses in connection with such sale and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit permanently returned to the Builder pursuant to any patent indemnity provision of the CSA an amount equal to any net patent indemnity payment in respect of such Unit made by the Builder to the Vendee under the CSA. The Lessee will pay all costs and expenses in connection with the sale of any Unit pursuant to a Casualty Occurrence.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained (and shall furnish to the Lessor, the Owner and the Vendor a certificate evidencing) property insurance and public liability insurance in respect of the Units at the time subject hereto, in amounts (subject to customary deductibles) and against risks customarily insured against by railroad companies in respect of similar equipment and, in any event, comparable in amounts and against risks

customarily insured against by the Lessee in respect of similar equipment owned by it. Any policies of insurance carried in accordance with this paragraph shall name the Lessor, the Owner and the Vendor as additional insureds as their respective interests may appear and shall provide for 30 days prior written notice to the Lessor, the Owner and the Vendor of any material change or cancelation. If the Lessor shall receive any property insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. Provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, all insurance proceeds received by the Lessor from the Lessee's property insurance coverage in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

§ 8. Reports and Inspection. On or before April 30 in each year, commencing with the calendar year 1981, the Lessee will furnish to the Lessor, the Vendor and the Owner (a) an accurate statement (i) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, (ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the CSA have been preserved or replaced and (iii) setting forth a description of the insurance in effect with respect to the Equipment pursuant to § 7 hereof, and (b) a certification of insurance coverage from the Lessee's independent broker stating the

amounts of such insurance in effect and the amount of deductible. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease, but the Lessor shall have no obligation to do so. The Lessee shall promptly notify the Lessor and the Vendor of any material changes or any material proposed changes of which the Lessee has knowledge in its insurance coverage in effect with respect to the Equipment pursuant to § 7 hereof.

The Lessee shall promptly notify the Lessor, the Owner and the Vendor of any occurrence of an Event of Default or other event which after notice or lapse of time or both would become an Event of Default, specifying such Event of Default and all such events and the nature and status thereof.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR NEITHER MAKES, HAS MADE NOR SHALL BE DEEMED TO MAKE, ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builders under the provisions of Items 3 and 4 of Annex A to the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any

other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Inspection and Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which operations involving the Units may extend, with the interchange rules of the Association of American Railroads (which term shall include any successor organization thereof), if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units (all such laws and rules to such extent being hereinafter called the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof, the Applicable Laws require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the opinion of the Lessor, the Owner or the Vendor, adversely affect the property or rights of the Lessor, the Owner or the Vendor under this Lease or under the CSA. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the

United States Department of Transportation, the Interstate Commerce Commission or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (collectively "Additions") to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units, shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease, and shall not render the Units ineligible for interchange service under the rules of the Association of American Railroads. Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in the Lessor and be subject to a valid first lien and prior perfected security interest under the CSA in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for, any such original Part; (ii) such Part is required to be incorporated in or installed as part of the Units pursuant to the provisions of the first paragraph of § 7 hereof or the terms of the first sentence of this paragraph; or (iii) such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as a result of such alterations or additions shall vest in the Lessee and may be removed by the Lessee at any time during the term of this Lease and prior to the renewal thereof and prior to the return of the Units to the Lessor pursuant to § 14 hereof. The term "Part" for the purposes of this paragraph shall be defined to include any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (in both its individual and fiduciary

capacities), the Owner and the Vendor and their respective successors, assigns, agents and servants from and against all losses, damages, injuries, liabilities, claims (including, without limitation, claims for strict liability in tort and claims based on the passive or active negligence of an indemnified person) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent, trademark or copyright liabilities, penalties and interest, arising out of or alleged to arise out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under the CSA, the Participation Agreement, this Lease, or any sublease entered into pursuant to § 12 hereunder, the ownership of any Unit, the ordering, acquisition, replacement, operation, use, condition (including any latent or patent defects in any Unit), purchase, delivery, rejection, storage or return of any Unit or any accident in connection with, or alleged to have occurred in connection with, the ordering, acquisition, replacement, operation, use, condition, purchase, delivery, possession, storage or return of any Unit resulting in damage to or loss of property or injury or death to any person, except as otherwise provided in § 14 of this Lease, the transfer of title to the Equipment by the Vendor pursuant to any provision of the CSA or the alleged violation of the terms of any agreement, this Lease or any law, regulation, ordinance or restriction affecting the Units, except any matter otherwise indemnified by the Lessee caused by any act or omission of the Lessor or the Owner not related to transactions contemplated by the Documents (as defined in the Participation Agreement) or caused by an act or omission of an indemnified person in violation of the provisions of its Documents provided that this exception shall not apply to any matter with respect to which the Vendor is claiming indemnification to the extent of the Vendor's claim unless such claim was the direct result of the Vendor's default under its Documents (all of which matters indemnified against pursuant to the above being hereinafter called the "Indemnified Matters"). The amount the Lessee shall be required to pay with respect to any Indemnified Matter shall include a payment to the indemnified person sufficient to restore such person to the same position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the indemnified person would have been in had the Indemnified Matter not been incurred. The Lessee shall be obligated under this

§ 9, irrespective of whether any indemnified person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the indemnified person seeking to enforce the indemnification may proceed directly against the Lessee under this § 9 without first resorting to any such other rights of indemnification.

The Lessee further agrees to indemnify, protect and hold harmless the Lessor (both individually and in its fiduciary capacity) and the Vendor and the Owner, as third-party beneficiaries hereof, from and against any and all liabilities, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor, the Owner or the Lessor because of the use in or about the construction or operation of any of the Units of any article or material specified by the Lessee and not manufactured by a Builder or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by a Builder which infringes or is claimed to infringe on any patent or other right. The Lessee will give notice to the appropriate Builder of any claim known to the Lessee from which liability may be charged against such Builder with respect to the foregoing.

The Lessee shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any or all of the Units.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required filing date (or, to the extent permissible, file on behalf of the Lessor or Owner) any and all reports (other than tax returns, except as otherwise provided in § 6 hereof) to be filed by the Lessor or Owner with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units, or the leasing thereof to the Lessee.

None of the indemnities in this § 9 shall be deemed to create any rights of subrogation, from or under any indemnified person, in any insurer or third party against the Lessee or the Lessor therefor, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any

installments of principal or interest payable under the CSA or a guarantee of the residual value of the Units. The indemnities contained in this § 9 shall survive the expiration or termination of this Lease and return of the Units as provided in § 14 hereof with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any indemnified person.

Upon the payment in full of any indemnities as contained in this § 9 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing (i) the Lessee shall be subrogated to any right of such indemnified person (except against another indemnified person) in respect of the matter against which indemnity has been given and (ii) any payments received by such indemnified person from any person (except the Lessee) as a result of any matter with respect to which such indemnified person has been indemnified by the Lessee pursuant to this § 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment of any amount provided for in § 3, § 7 or § 13 hereof, and such default shall continue for five business days;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof, and the Lessee shall, for more than 30 days after demand in writing by the Lessor, fail to secure a reassignment or retransfer to the Lessee of such Lease, interest or right;

(C) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Consent or in the Participation Agreement, and such default shall continue for 30 days

after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(E) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee, or for the property of the Lessee, in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after

such proceedings shall have been commenced;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify:

(x) a sum, with respect to each Unit, equal to (A) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period,

such present value to be computed in each case on the basis of a 8% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated plus (B) to the extent not paid pursuant to any other section of this Lease an amount which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of any Federal, state or local government or taxing authority of the United States of America or under the laws of any taxing authority or governmental subdivision of a foreign country, shall, in the reasonable opinion of the Lessor, be equal to all or such portion of the investment credit, referred to in § 16(a)(i) hereof, lost, not claimed, not available for claim, disallowed or recaptured by or from the Lessor as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 16 or any other provision of this Lease or the sale or other disposition of the Lessor's interest in any Unit after the occurrence of an Event of Default, plus such sum as shall cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the deductions with respect to depreciation and interest, referred to in §§ 16(a)(ii) and (iii), respectively, hereof which were lost, not claimed, not available for claim or disallowed or recaptured in respect of a Unit as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 16 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the termination of this Lease, the Lessee's loss of the right to use such Unit, any action or inaction by the Lessee or the sale or other disposition of the Lessor's interest in such Unit after the occurrence of an Event of Default plus such sum as will pay or reimburse the Lessor for any interest, penalties or additions to tax incurred in connection with such loss, failure to claim, inability to claim, disallowance or recapture; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at

such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) or (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The Lessee hereby waives any and all claims against the Lessor and the Vendor and their agent or agents for damages of whatever nature in connection with any retaking of any Unit in any reasonable manner. The Lessor and the Lessee agree that the Lessor shall be entitled to all rights (such rights being fundamental to the willingness of the Lessor to enter into this Lease) provided for in 11 U.S.C. § 1168 or any comparable provision of any amendment thereto, or of any other bankruptcy act, so that the Lessor shall have the right to take possession of the Equipment upon an Event of Default under this Lease regardless of whether the Lessee is in reorganization, subject to the provisions of 11 U.S.C. § 1168 or any such comparable provision.

No failure by the Lessor to exercise, and no delay by the Lessor in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by the Lessor preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

If the Lessee fails to perform or comply with any agreement, covenant or condition contained in this Lease, and such nonperformance or noncompliance could, with the lapse of time and/or demand or failure to take action, result in an Event of Default under clause (A) or (C) of this § 10, the Lessor may (but shall not be required to), upon notice to the Lessee, itself perform or comply with such agreement, covenant or condition and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amounts at the rate of 11-1/2% per annum, or if such rate is not legally enforceable then at the highest legally enforceable rate, shall be payable to the Lessor by the Lessee upon demand. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor against the Lessee hereunder or be deemed to cure a default by the Lessee hereunder.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Except as hereinafter provided, each Unit so delivered shall be in the condition required by clauses (a), (b) and (c) of the first sentence of § 7 hereof. For the purpose of delivering possession, the Lessee shall:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance (which shall conform to the provisions of § 7 hereof), rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor

but in no event later than the latest of (i) 30 days after the termination of the security title and interest of the Vendor under the CSA, (ii) a storage period of 180 days following notification by the Lessee to the Lessor that 90% of the Units have been delivered for storage (or with respect to any Unit not delivered at the time of such notification, 180 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage) and (iii) 30 days after termination of any interference by legal process with possession of the Units by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Except as hereinafter provided, during any storage period, the Lessee will, at its own expense, maintain and keep the Equipment in the condition required by clauses (a), (b) and (c) of the first sentence of § 7 hereof and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. Anything to the contrary contained in this § 11 notwithstanding, the Lessee shall have no obligation under clause (b) or clause (c) of the first sentence of § 7 hereof after the later of (i) the termination of the security title and interest of the Vendor under the CSA and (ii) the earlier of the Lessor's disposition of the Units and the scheduled date of expiration of any term of this Lease. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day after such termination an amount equal to the amount, if any, by which .031507% of the Purchase Price of such Unit exceeds the actual earnings received by the Lessor with respect to such Unit for each such day; such payment shall not affect the obligation of the Lessee to redeliver the Units in accordance with the first sentence of this § 11.

Without in any way limiting the foregoing obliga-

tions of the Lessee under this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns.

So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and, without the prior written consent of the Lessor and the Vendor, the Lessee may sublease (which sublease by its terms shall be subject to the rights and remedies of the Lessor and the Vendor hereunder) the Units to, or permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains or over which their equipment is regularly operated pursuant to contract, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Vendor's and the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that, taken together with all renewal terms provided for therein, would be longer than six months during any period of 12 consecutive months; provided further, however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving operation or maintenance outside the

United States of America except that occasional service in Canada shall be permitted so long as such service in Canada does not involve regular operation and maintenance outside the United States of America; and provided further, however, that any such sublease or use shall be consistent with the provisions of § 16 hereof. No such assignment or sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of the United States of America or any state thereof or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease and that such acquisition or lease of railroad lines of the Lessee shall not alter in any way the Lessee's obligation to the Lessor and Vendor hereunder which shall be and remain those of a principal and not a surety.

The Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance created by the Lessor, the Owner or the Vendor which is not contemplated by the Documents (as defined in the Participation Agreement) or resulting from claims against the Vendor, the Lessor or the Owner not related to the ownership or leasing of, or the security title or security interest of the Vendor to, the Units) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of the Vendor, the Owner or the Lessor therein; except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to

discharge the same does not, in the opinion of the Vendor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the CSA.

§ 13. Right of Renewal; Right of First Refusal.
Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease, elect to extend the term of this Lease in respect of all but not fewer than all the Units then covered hereby, for a period of five years (the "extended term") commencing on the scheduled expiration of the original term of this Lease.

The extended term of the Lease shall be on the same terms and conditions as are contained in the Lease, except (x) as to the amount of rentals, which shall be at a Fair Market Rental (as hereinafter defined) payable, in arrears, in semiannual payments on the dates on which such rentals were payable for the Units in each year of the original term and (y) that the Casualty Value of each Unit on the first day of the extended term shall be equal to the greater of (a) the Fair Market Purchase Price (as hereinafter defined) of such Unit on such date, or (b) the present value as of such date, of all rentals payable during such extended term, discounted at a rate of 10% per annum, compounded semiannually, from the respective dates upon which such rentals are payable hereunder; and thereafter such Casualty Value shall be reduced on a straight-line basis (computed on the basis of a 360-day year of 12 30-day months over the estimated remaining useful life of such Unit which shall, if not agreed upon by the Lessor and the Lessee, be determined by appraisal consistent with the procedure hereinafter set forth) for the remainder of such extended term, all as determined by the procedures hereinafter established.

If the Lessee shall not have elected to extend the term of this Lease at the expiration of the original or any extended term of this Lease but shall have given the Lessor notice of its intention to exercise a right of first refusal with respect to the Units not less than six months prior to the expiration of the original or such extended term of this Lease and the Lessor elects to sell the Units to third parties effective upon the expiration of the original or such extended term of this Lease, the Lessor shall (a) as promptly as practicable after the Lessee shall have given such notice, and in any event not less than 100 days

prior to the expiration of the original or such extended term, notify the Lessee that it intends to sell the Units (or any of them) and shall, if the Fair Market Purchase Price is not otherwise agreed upon by the Lessor and Lessee, engage an appraiser appointed as provided in this § 13 (the cost of which shall be shared equally by the Lessor and the Lessee so long as the Lessee buys the Units pursuant to this paragraph and otherwise the Lessee shall bear such cost) to determine the Fair Market Purchase Price of the Units and, upon receipt of such determination, deliver a true copy thereof to Lessee, and (b) in a commercially reasonable manner, solicit offers to buy such Units (excepting additions, modifications and improvements which may be removed by the Lessee pursuant to § 9 hereof), and upon receipt thereof shall exhibit to the Lessee a true copy of the most favorable bona fide offer, if any, from a party not related to the Lessee, and the Lessee shall have a right of first refusal, exercisable by written notice delivered within 15 days of the later receipt of said copy (or of notice that an offer has not been received) or said determination of the Fair Market Purchase Price, to purchase such Units at the higher of (1) the Fair Market Purchase Price determined by the appraiser or (2) if an offer is received, the sale price set forth in such offer. If no such offer is received, the Fair Market Purchase Price shall be the Lessee's purchase price. In the event that the Lessee shall have delivered a notice of its election to purchase such Units, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth herein from the date such notice is delivered to the Lessor until the date of such purchase, which shall be not more than 15 days after the last day of the original or extended term of this Lease.

Upon payment of the Fair Market Purchase Price of any Unit (or such other purchase price as is provided for herein), pursuant to an exercise by the Lessee of its right to purchase such Units, the Lessor shall execute and deliver to the Lessee, or upon request of the Lessee, to the Lessee's assignee or nominee, (i) a bill of sale (without warranties, except as hereinafter provided in this clause (i)) for such Units such as will transfer to the Lessee title to such Units free and clear of all claims, liens, security interests and other encumbrances created by or arising through the Lessor or the Owner, other than claims, liens, security interests and encumbrances which the Lessee is obligated to pay or discharge under or pursuant to this Lease and (ii) an

opinion of counsel (who may be in-house counsel of the Owner) satisfactory to the Lessee, to such effect. Notwithstanding the foregoing, if any Units so purchased are to be sold to the Lessee under a conditional sale agreement, the Lessor shall have the right to retain a security interest in such Units until such time as all payments in respect thereof have been made.

In the event that the Lessee renews the Lease for the extended term referred to in the first paragraph of this § 13, and the Lessor (having no obligation to attempt to sell the Units) does not give the 100 days notice referred to in the third paragraph of this § 13 and the Lessor receives an offer from a third party or parties not related to the Lessor for the leasing of any Unit or Units, which offer is acceptable to the Lessor, the Lessor shall so notify the Lessee prior to the expiration of the extended term as long as no Event of Default is continuing. If the Lessee notifies the Lessor within 15 days of the notice referred to in the preceding sentence of its intention to further extend this Lease with respect to such Units, this Lease shall be so extended, on the same terms and conditions and for such Units as were contained in such acceptable third-party offer.

The Fair Market Rental and Fair Market Purchase Price shall be determined on the basis of, and shall be equal in amount to, the cash rental, or the purchase price (as of such date as the context herein requires), as the case may be, which would obtain in an arm's-length transaction between an informed and willing lessee or purchaser, as the case may be, and an informed and willing lessor or seller, as the case may be (other than a lessee currently in possession), under no compulsion to lease or sell, as the case may be, but there shall be excluded from such determination any rental or purchase value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to § 9 hereof; provided, however, that Fair Market Rental shall be determined on the basis of the term and other terms and conditions of the lease being considered. In making such determination, costs of removal from the location of current use shall not be a deduction from such rental or purchase price and it shall be assumed that the Units have been collected in one place on the lines of the Lessee as directed by the Lessor. If, after 20 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease or the giving of notice by the Lessor that it intends to sell the Units, as aforesaid, the Lessor and the Lessee are unable to agree upon

a determination of the Fair Market Rental or Fair Market Purchase Price of the Units, such rental or purchase price shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such rental or purchase price by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 15 business days after such notice is given, each party shall appoint an independent appraiser within 20 business days after such notice is given, and the two appraisers so appointed shall within 25 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 25 business days after such notice is given, either party may request the American Arbitration Association to make such appointment, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental or the Fair Market Purchase Price, as the case may be, of the Units then subject to this Lease, within 30 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental or Fair Market Purchase Price, as the case may be, of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from that of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Rental or Fair Market Purchase Price, as the case may be. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental or Fair Market Purchase Price, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. Except as otherwise provided herein, the Lessee and the Lessor shall equally share all appraisal procedure expenses.

§ 14. Return of Units upon Expiration of Term.
As soon as practicable on or after the expiration of the

original or the extended term of this Lease with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit, if not purchased by the Lessee, to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate in such city on the lines of the Lessee as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may reasonably select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 120 days following notification to the Lessor by the Lessee that 90% of the Units have been assembled and delivered for storage (or, with respect to any Unit not delivered at the time of such notification, 120 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage) and transport the same, at any time within such 120-day period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as mutually agreed upon by the Lessor and the Lessee (except that the Lessor may require that no more than 250 Units be transported as provided herein, during any 30-day period), the movement and storage of such Units to be at the expense and risk of the Lessee (which shall during such period maintain the insurance required by § 7 hereof); and in the event that any Unit shall suffer a Casualty Occurrence during such storage period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in § 7 hereof. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, on behalf of either the Lessor or any prospective purchaser, lessee or user, such rights of inspection. Except as hereinafter provided in this § 14, each Unit returned to the Lessor pursuant to this § 14 shall (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) be in the condition required by clauses (a), (b) and (c) of the first sentence of § 7 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During any storage period, the Lessee will, at its own expense, maintain and keep the Units (except for addi-

tions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) in the condition required by clause (a) of the first sentence of § 7 hereof. Notwithstanding anything to the contrary contained in this § 14, the Lessee shall have no obligation under clause (b) or (c) of the first sentence of § 7 hereof after expiration of the original or any extended term of this Lease. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which (x) .028689% of the Purchase Price of such Unit exceeds (y) the actual earnings received by the Lessor with respect to such Unit for each such day; such payment shall not affect the obligation of the Lessee to redeliver the Units pursuant to this § 14.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the CSA and any assignment hereof or thereof to be filed in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignments hereof and thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the CSA, and the assignments thereof, shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall be made for publication of

notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 16. Tax Indemnities. (a) If:

(i) on the date of delivery of any Unit of Equipment the Owner is not entitled to an investment credit under Section 38 and related sections of the Code with respect to such Unit of not less than 10% of the Purchase Price with respect to such Unit (sometimes hereinafter called "Investment Tax Credit"); or

(ii) the Owner is not allowed the benefit of current deductions for depreciation on any one or more of the Units under Section 167(a) of the Code (x) computed pursuant to any method of depreciation authorized by Section 167(b)(2) or (3) of the Code and pursuant to the asset depreciation range system of Section 167(m) of the Code and Section 1.167(a)-11 of the income tax regulations, (y) computed on the basis (A) of a net salvage value of zero, (B) that the basis of such Unit or Units under Section 167(g) of the Code is not less than the Purchase Price with respect to such Unit or Units, and (C) that such Unit or Units are entitled to an asset depreciation period of 12 years, which is the lower limit listed in Rev. Proc. 77-10, 1977-1 C.B. 548, for property classified in Asset Guideline Class 00.25, and (z) determined on the basis of the "modified half-year convention" of Section 1.167(a)-11(c)(2) (ii) of the income tax regulations; or

(iii) the Owner is not allowed the benefit of current deductions under Section 163 of the Code for interest payable under the CSA; or

(iv) any investment credits or deductions for depreciation with respect to any one or more of the Units are disallowed in whole or in part, or are recaptured in whole or in part pursuant to Section 47 or Section 1245 of the Code or any successor provision or provisions thereto; or

(v) any amount includible in the gross income of the Owner with respect to any one or more of the Units or any deduction allowable to the Owner with respect to such Unit or Units or with respect to any interest payable under the CSA shall be treated as derived from,

or allocable to, sources outside the United States; or

(vi) any amount is included, at any time prior to the end of the term of this Lease (including any renewal terms), in the gross income of the Owner as a result of any repair, improvement, alteration, modification or addition (including replacement of parts) to such Unit or Units made by the Lessee (herein called a "Capital Expenditure"); provided that in the event a Capital Expenditure is included in the gross income of the Owner, the Owner shall attempt to maximize the future tax benefits from such Capital Expenditure by making such elections (including where advantageous accelerated depreciation elections and election of the applicable asset guideline repair allowance if then permitted) as will increase the Owner's tax deductions; provided, further, that in the event any such future tax benefits are disallowed or recaptured, such disallowance or recapture shall, to the extent contemplated by this paragraph (a), constitute a Loss, as such term is hereinafter defined;

then the Owner shall be entitled only to such indemnities by the Lessee as are provided in the first paragraph of paragraph (b) of this § 16, subject to the exceptions set forth in the second paragraph of paragraph (b) of this § 16. For purposes of this § 16 any such aforementioned failure to allow, such recapture, such treatment of income or deductions as derived from or allocable to sources without the United States, or such inclusion in gross income as a result of a Capital Expenditure shall be hereinafter called a "Loss".

(b) Except as hereinafter provided, the Lessee shall be required to indemnify the Owner with respect to any Loss that results from:

(i) a Loss described in clause (i) or (ii) of paragraph (a) of this § 16, if such Loss results from the use of a Unit by any person so as to preclude the "original use of such property" within the meaning of Section 48(b) or Section 167(c)(2) of the Code from commencing with the Owner; or

(ii) the Lessee's use of a Unit or Units in such a manner as to result in a Loss described in clauses (i), (ii), (iv) or (v) of paragraph (a) of this § 16; or

(iii) a Capital Expenditure; or

(iv) any act, or failure to act, at any time, by the Lessee or any of its officers, employees or agents (including, without limitation, any act, or failure to act, in respect of the income tax returns of the Lessee insofar as they relate to the transaction contemplated by this Lease and related documents, it being understood that the Lessee will not take or fail to take any action that is inconsistent with the Owner being treated as the owner, and the Lessee being treated as the lessee, of the Units for Federal, state and local income tax purposes); or

(v) the disallowance of any portion of the Purchase Price of any Unit or Units in the basis thereof.

Notwithstanding the provisions of the immediately preceding clauses (i) through (v) of this paragraph (b), the Lessee shall not be required to indemnify the Owner with respect to any Loss that results solely and directly from any of the following "Excluded Events":

(i) a Casualty Occurrence, if the Lessee has made all payments with respect thereto that are required to be made pursuant to § 7 hereof; or

(ii) a voluntary transfer or other voluntary disposition by the Owner or any transfer or disposition by the Owner resulting from bankruptcy or other proceedings for relief of debtors in which the Owner is the debtor, whether voluntary or involuntary, of any interest in such Unit or the voluntary reduction by the Owner of its interest in the rentals from such Unit under the Lease (other than pursuant to the assignment of this Lease to the Vendor), unless, in each case, an Event of Default (or an event that, with the lapse of time or the giving of notice, or both, would constitute an Event of Default) has occurred and is continuing under this Lease; or

(iii) the failure of the Owner to claim in a timely and proper manner (including all appropriate elections) on its income tax returns for the appropriate years any credits or deductions contemplated by paragraph (a) of this § 16; provided, however, that if the Owner furnishes to the Lessee a written opinion of the Owner's counsel that there is no meritorious basis to support a claim for any credit or deduction contemplated by paragraph (a) of this § 16, the Lessee may contest such opinion by engaging, at its expense, independent tax counsel,

selected by the Lessee with approval of the Owner (not to be unreasonably withheld) to determine if it would be proper to claim any such credit or deduction. If the Lessee fails to contest within 30 days after receipt of the opinion of the Owner's counsel, or its independent tax counsel concurs with such opinion, the Owner's failure to claim such credit or deduction shall not constitute an Excluded Event. If the opinion of the Lessee's independent tax counsel is to the effect that there is a meritorious basis for claiming such credit or deduction, then the opinion of the Lessee's independent tax counsel shall be controlling, and the Owner's failure to claim such credit or deduction shall constitute an Excluded Event; or

(iv) the failure of the Owner to have sufficient Federal income tax liability against which to apply such credits or sufficient income to benefit from such depreciation or interest deductions; or

(v) the failure of the Owner to take timely action in contesting a claim made by the Internal Revenue Service, but only if such action is required by the terms of paragraph (c) of this § 16; or

(vi) except to the extent set forth in clause (A) of § 3 hereof, any amendment to, or change in, the Code, the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations; or

(vii) any participation in the residual value of any Unit at the end of the term of this Lease by any party other than the Owner; or

(viii) the tax status as a "Grantor Trust" of the trust purported to be created by the Trust Agreement; or

(ix) any act, or failure to act, at any time, by the Owner or any of its officers, employees or agents, which is inconsistent with the Owner's obligations under the Trust Agreement and the Participation Agreement, except at a time when an Event of Default (or an event that, with the lapse of time or the giving of notice, or both, would constitute an Event of Default) has occurred and is continuing.

(c) If at the conclusion of any audit the Owner receives a preliminary or "30 day" letter from the Internal Revenue Service proposing an adjustment in any item that, if agreed to by the Owner, would result in a Loss with respect to which the Lessee would be required to indemnify the Owner pursuant to this Lease, the Owner shall promptly notify the Lessee of such proposed adjustment and shall furnish to the Lessee a statement describing such Loss in reasonable detail. If requested to do so by the Lessee, within 20 days after receipt of such statement, the Owner shall promptly request from Messrs. Donovan Leisure Newton & Irvine, or such other independent tax counsel as may be selected by the Owner and approved by the Lessee (the "Special Tax Counsel"), their opinion as to whether there is a meritorious basis for contesting such proposed adjustment. If the opinion is to the effect that there is no meritorious basis for contesting such proposed adjustment, the Lessee, at its own expense, may request an opinion from an independent tax counsel of the Lessee's choice; and if such opinion is that there is a meritorious basis for contesting such proposed adjustment, the Owner and the Lessee will mutually agree on another independent tax counsel to render an opinion, at the Lessee's expense, which will be binding on both the Owner and the Lessee. If the opinion of Donovan Leisure Newton & Irvine, or of the Special Tax Counsel or of the third independent tax counsel provided for in the preceding sentence is to the effect that there is a meritorious basis for contesting such proposed adjustment, the Owner shall contest such proposed adjustment beyond the level of the Internal Revenue Service auditing agent by such administrative proceedings, if any, as may be determined by the Owner in its sole discretion. Upon the conclusion of such administrative proceedings, if any, the Owner shall promptly notify the Lessee of the final adjustment proposed by the Internal Revenue Service and, if the Owner receives within 30 days after such notice a written request to do so from the Lessee, the Owner shall contest such final adjustment in a court of competent jurisdiction. If the Lessee requests the Owner to appeal the decision of such a court or of any intermediate appellate court, the Owner shall promptly request from Special Tax Counsel their opinion as to whether there is a meritorious basis for appealing such decision. If the opinion is to the effect that there is a meritorious basis for appealing such decision, the Owner shall appeal such decision. The Owner, in its sole discretion, shall determine the initial and any appellate court and, if the adjustment relates to an item claimed on a tax return, shall determine whether the pro-

ceedings shall be for redetermination of the deficiency proposed to be assessed by the Internal Revenue Service or for refund of taxes paid on such deficiency. The Owner shall not be required to take any action as set forth in this paragraph (c) unless and until the Lessee shall have agreed to indemnify the Owner in a manner satisfactory to it for any Loss that results from an adverse determination with respect to the proposed adjustment and shall have agreed to pay to the Owner on demand all reasonable out-of-pocket costs and expenses, including without limitation attorney's fees and expenses incurred by it in connection with the taking of such action. If the Owner elects to pay taxes based on a proposed deficiency and sue for a refund thereof, (i) to the extent that the deficiency is related to Investment Tax Credit, the Lessee shall pay to the Owner on demand an amount which after deducting therefrom the amount of Federal, state and local taxes on net income incurred by the Owner as a result of the receipt thereof shall equal the amount of such taxes, interest, and any penalties thereon which the Owner shall have paid, and (ii) to the extent that the deficiency relates to issues other than Investment Tax Credit, the Lessee agrees to adjust the rentals to maintain the Owner's after-tax rate of return and after-tax cash flow in the manner specified in paragraph (d) of this § 16. If the Owner subsequently receives a refund of all or any part of such taxes and interest, (i) to the extent that the refund relates to Investment Tax Credit, it shall promptly pay to the Lessee the amount of such refunded taxes, penalties, and interest plus the amount of any interest received by the Owner from the United States Government with respect to such refunded taxes and interest plus the amount of tax savings realized by the Owner as a result of such payment to the Lessee, and (ii) to the extent that the refund relates to issues other than Investment Tax Credit, the Owner shall promptly repay the Lessee the cumulative amounts paid by the Lessee through adjusted rentals that are attributable to such refunds, plus a reasonable portion of any interest received by the Owner from the United States Government, and shall readjust rentals to a level consistent with the provisions of paragraph (d) of this § 16. Notwithstanding anything to the contrary contained in this paragraph (c), the Owner may at any time, whether before or after commencing to take any action with respect to a proposed adjustment, decline to take any further action with respect thereto, provided that the Owner notifies the Lessee that it waives its rights to any indemnity with respect to any Loss that will result from acceptance of such proposed adjustment. However, the

Owner's failure to contest a Loss does not waive the Lessee's indemnification of the Owner unless the Lessee shall have requested the Owner to contest.

(d) The amount of indemnity payable by the Lessee pursuant to this § 16 with respect to a Loss shall be such amount as will result, in the Owner's reasonable judgment, after due consultation with the Lessee, in preserving for the Owner the after-tax rate of return and after-tax cash flow that would have been realized by the Owner if such Loss had not occurred, based on the rates of Federal, state and local taxes on, based on, or measured by, net income in effect from time to time, but not more than such after-tax rate of return and after-tax cash flow that would have been realized on the bases and assumptions (including, without limitation, tax rates) used by the Owner in originally evaluating this transaction. The Owner shall furnish the Lessee with a notice setting forth in reasonable detail the computations and methods used in computing such amount of indemnity.

The Lessee's obligation to pay any indemnity payable pursuant to this § 16 shall become unconditional (1) in the case of a Loss that is required to be reflected in a tax return of the Owner pursuant to paragraph (b) or paragraph (c) of this § 16, 30 days after the date such return is filed; (2) in the case of a Loss that results from a proposed adjustment of the Internal Revenue Service that is not contested pursuant to paragraph (c) of this § 16, 30 days after the Lessee's receipt of the statement referred to in the first sentence of paragraph (c) of this § 16; and (3) in the case of a Loss that results from a proposed adjustment of the Internal Revenue Service that is contested pursuant to paragraph (c) of this § 16, 30 days after the day on which such contest is finally concluded.

The Lessee shall pay to the Owner a lump sum indemnity at the time its obligation to pay indemnity pursuant to this § 16 becomes unconditional, (A) with respect to a Loss described in clause (i) of paragraph (a) of this § 16, and (B) with respect to any other Loss, if the Lessee's obligation to pay indemnity pursuant to this § 16 becomes unconditional on or after the termination of this Lease. In the case of a Loss described in clause (i) of paragraph (a) of this § 16 (relating to Investment Tax Credit), the amount of the lump sum indemnity payment shall be the amount of the lost Investment Tax Credit adjusted as required by the last subparagraph of this paragraph (d). In the case of any other lump sum

indemnity payment, the amount of the payment shall be determined in a manner consistent with the first subparagraph of this paragraph (d). Any other indemnity payable pursuant to this § 16 shall be structured as level future rent increases, and the Lessee shall commence payment of such increased rent on the first rental payment date after the Lessee's obligation to pay indemnity pursuant to this § 16 becomes unconditional. The amount of rental resulting from any one Loss shall be adjusted from time to time for each change in the Code and the income tax regulations (including, without limitation, tax rates) which affects the Owner's net after-tax rate of return and after-tax cash flow but such adjustment shall not result in an after-tax rate of return and after-tax cash flow more than that contemplated by the Owner in originally evaluating this transaction.

The amount of each payment of indemnity payable pursuant to this § 16 with respect to a Loss shall (A) reflect the amount of interest, additions to tax and penalties payable by the Owner with respect to such Loss, (B) reflect the amount of Federal, state and local taxes on, based on, or measured by, net income (at the rates in effect from time to time), interest, additions to tax and penalties incurred by the Owner as a result of the receipt of such indemnity payment, and (C) reflect payments made by the Lessee to the Owner pursuant to this § 16 and not repaid by the Owner to the Lessee pursuant thereto.

(e) In the event that the Lessee shall be required to indemnify the Owner pursuant to this § 16 with respect to a Loss relating to a Unit or Units, the Casualty Value of such Unit or Units shall be appropriately adjusted so as to reflect, among other things, the reduction (if any) in taxes that will be payable by the Owner with respect to such Unit or Units upon a Casualty Occurrence with respect to such Unit or Units; provided, however, that such Casualty Values shall not be reduced below the amounts required to satisfy the obligations of the Lessor under the CSA and shall be calculated so as to preserve for the Owner the after-tax rate of return and after-tax cash flow that the Owner would have realized if such Loss had not occurred, determined in a manner consistent with paragraph (d) of this § 16.

(f) For purposes of this § 16, the term "Owner" shall include any affiliated group, within the meaning of Section 1504 of the Code, of which the Owner is a member, if consolidated returns are filed for such affiliated group for

Federal income tax purposes.

(g) All payments of indemnity made pursuant to this § 16 shall be made by the Lessee directly to the Owner by transfer of immediately available funds to the account of the Owner specified in Section 2.01(c) of the Trust Agreement or to such other account or in such other manner as the Owner from time to time shall have identified in written instructions given to the Lessee.

§ 17. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount on the overdue rentals and other obligations for the period of time during which they are overdue at a rate of 11-1/2% per annum, or, if such rate is not legally enforceable, then at the highest legally enforceable rate. Except as otherwise expressly provided herein, interest hereunder shall be determined on the basis of a 360-day year for the actual number of days elapsed.

§ 18. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department; and

(b) if to the Lessee, at 400 West Madison Street, Chicago, Illinois 60606, Attention of Assistant Vice President-Finance;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at 30 North LaSalle Street, Chicago, Illinois 60693, Attention of Corporate Trust Department, and to the Owner, at 2700 Sanders Road, Prospect Heights, Illinois 60070, Attention of Dwight S. Brackett, Vice President.

§ 19. Severability; Effect and Modification of Lease; Third-Party Beneficiaries. Any provision of this Lease which is prohibited or unenforceable in any juris-

diction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the exhibits thereto, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Owner, the Agent, the Investors, the Builders and their permitted successors and assigns and those of a party hereto), and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

§ 20. Immunities. Anything herein to the contrary notwithstanding, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company for the purpose or with the intention of binding it personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence by said bank or the Owner, as the case may be, no personal liability or personal responsibility is assumed hereunder by or shall at any time be enforceable against the said bank or the Owner, as the case may be, on account of any representation, warranty, undertaking or agreement hereunder of the Lessor or the Owner, as the case may be, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the

Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

§ 21. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall include the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (or any successor thereto) is not entitled to the benefits of other provisions where only the Lessor is named.

§ 22. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary that any counterpart be signed by both the parties hereto so long as each party hereto shall have executed and delivered one counterpart hereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

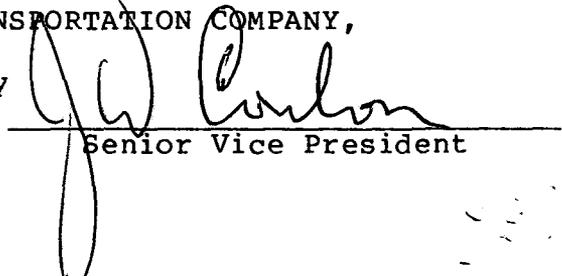
§ 23. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several

jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by



Senior Vice President

[Corporate Seal]

Attest:



Assistant Secretary

THE CONNECTICUT BANK AND TRUST
COMPANY, not individually but
solely as Trustee,

by

Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer

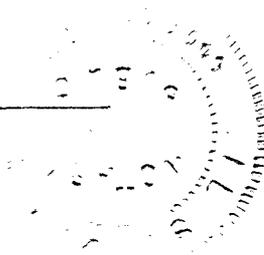
STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 7 day of February 1980, before me personally appeared J.W. CONLON, to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]



Notary Public
LEE SWIONTEK
Notary Public
Cook Co. Illinois
My Commission Expires Oct. 27, 1980



STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of February 1980, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Trustees, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Notary Public

SCHEDULE A

Specifications of the Equipment

<u>Type</u>	<u>Builder</u>	<u>Quantity</u>	<u>Lessee's Identification Numbers (Both Inclusive)</u>
4,750 cu. ft., 100-ton covered hopper cars	Pullman Incorporated (Pullman Standard Division)	600	CNW 178000 through CNW 178599
65' 6" 100-ton gondola cars	Greenville Steel Car Company	150	CNW 128000 through CNW 128149

SCHEDULE B

Casualty Value Percentage Schedule

<u>Casualty Value Date</u>	<u>Percentage of Purchase Price*</u>
7/1-1980	101.2793
1/2-1981	101.2793
7/1-1981	102.5727
1/2-1982	103.6512
7/1-1982	104.5222
1/2-1983	105.2001
7/1-1983	99.2693
1/2-1984	99.5731
7/1-1984	99.6963
1/2-1985	99.6464
7/1-1985	93.0088
1/2-1986	92.6281
7/1-1986	92.0904
1/2-1987	91.4047
7/1-1987	84.1579
1/2-1988	83.1961
7/1-1988	82.1073
1/2-1989	80.9021
7/1-1989	79.5875
1/2-1990	78.1753
7/1-1990	76.6737
1/2-1991	75.0955
7/1-1991	72.9037
1/2-1992	70.3674
7/1-1992	67.7768
1/2-1993	65.1519
7/1-1993	62.5106
1/2-1994	59.8576
7/1-1994	57.1981
1/2-1995	54.5381
7/1-1995	51.8838
1/2-1996	49.2422
7/1-1996	46.6211
1/2-1997	44.0289
7/1-1997	41.4747
1/2-1998	38.8054
7/1-1998	36.0136
1/2-1999	33.0930
7/1-1999	30.0377
1/2-2000	26.8415
7/1-2000	23.4978
1/2-2001	20.0000
and thereafter	

* As defined in Article 4 of the CSA.

SCHEDULE C

Certificate of Inspection and Acceptance

To: The Connecticut Bank and Trust Company,
acting as Trustee (the "Lessor") under
Trust Agreement
One Constitution Plaza
Hartford, Connecticut

I, the duly authorized representative for the Lessor and Chicago and North Western Transportation Company (the "Lessee") under the Conditional Sale Agreement and the Lease of Railroad Equipment, both dated as of November 30, 1979, do hereby certify that the following Units of Equipment have been inspected and I have accepted delivery of such Units thereunder:

TYPE OF EQUIPMENT:
DATE ACCEPTED:
NUMBER OF UNITS:
LESSEE'S ROAD NUMBERS:

I do further certify that the foregoing Units are in good order and condition, and appear to conform to the specifications, requirements and standards applicable thereto as provided in Article 2 of the aforesaid Conditional Sale Agreement.

I do further certify that each of the foregoing Units has been marked by means of a stencil printed in contrasting colors upon each side of each such Unit in letters not less than one inch in height as follows:

"Ownership Subject to a Security Agreement Filed
with the Interstate Commerce Commission"

The execution of this Certificate will in no way relieve or decrease the responsibility of the Builder named below for any warranties it has made with respect to the Equipment.

Authorized Representative of
Lessor and Lessee

BUILDER:

[Greenville Steel Car Company]
or
[Pullman Incorporated (Pullman Standard Division)]

LEASE OF RAILROAD EQUIPMENT

Dated as of November 30, 1979

between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Lessee,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
as Trustee Under a Trust Agreement,
Lessor

[14th HFCL 1980 Trust covering 600
Covered Hopper and 150 Gondola Cars]

TABLE OF CONTENTS*

	<u>Page</u>
§ 1. Net Lease	L-2
§ 2. Delivery and Acceptance of Units	L-3
§ 3. Rentals	L-3
§ 4. Term of Lease	L-7
§ 5. Identification Marks	L-7
§ 6. Taxes	L-8
§ 7. Maintenance; Casualty Occurrences; Insurance ..	L-12
§ 8. Reports and Inspection	L-15
§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification	L-16
§ 10. Default	L-21
§ 11. Return of Units upon Default	L-26
§ 12. Assignment; Possession and Use	L-28
§ 13. Right of Renewal; Right of First Refusal	L-30
§ 14. Return of Units upon Expiration of Term	L-33
§ 15. Recording	L-35
§ 16. Tax Indemnities	L-36
§ 17. Interest on Overdue Rentals	L-44
§ 18. Notices	L-44
§ 19. Severability; Effect and Modification of Lease; Third-Party Beneficiaries	L-44
§ 20. Immunities	L-45
§ 21. Definitions	L-46
§ 22. Execution	L-46
§ 23. Law Governing	L-46
 Schedule A. Specifications of the Equipment	 L-49
Schedule B. Casualty Value Percentage Schedule	L-50
Schedule C. Certificate of Inspection and Acceptance	L-51

* This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of November 30, 1979, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not individually but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), with Fourteenth HFC Leasing Corporation (the "Owner").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with Greenville Steel Car Company and Pullman Incorporated (Pullman Standard Division) (individually a "Builder" and collectively the "Builders"), wherein the Builders have agreed to manufacture and conditionally sell to the Lessor, the units of railroad equipment described in Schedule A hereto (the "Equipment");

WHEREAS the Builders are assigning their interests in the CSA to Continental Illinois National Bank and Trust Company of Chicago, acting as agent (said bank, as so acting, being hereinafter together with its successors and assigns and, where not inconsistent with the provisions hereof, Investors, as hereinafter defined, called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Owner, HFC Leasing Inc., and the parties named in Schedule A thereto (said parties, together with their successors and assigns, being hereinafter called the "Investors");

WHEREAS the Lessee desires to lease such number of units of Equipment as are delivered to and accepted by the Vendee and settled for under the CSA (the "Units") at the rentals and upon the terms and conditions hereinafter provided; and

WHEREAS the parties contemplate that the Lessor will assign, for security purposes, certain of its rights in this Lease to the Vendor by an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment"), and the Lessee will consent thereto by a Lessee's Consent and Agreement (the "Consent");

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or additional rent, or setoff against or recoupment or reduction of rent or additional rent, including, but not limited to, abatements, setoffs, reductions or recoupments due or alleged to be due by reason of any past, present or future claims or counterclaims of the Lessee against the Lessor under this Lease or the CSA, or against the Owner, either Builder or the Vendor or otherwise. The Lessee's obligations hereunder, including its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional under any and all circumstances, and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect, whether latent or patent, in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or any bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a unit to the Lessor under the CSA shall be deemed to be a delivery to the Lessee under this Lease at the point or points within the United States of America at which such Unit is delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of inspection and acceptance (the "Certificate of Inspection and Acceptance") substantially in the form annexed hereto as Schedule C, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee hereunder and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit of Equipment excluded from the CSA pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such Unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever.

§ 3. Rentals. The Lessee agrees to pay to the Lessor, as rental for each Unit, 2 interim and 40 consecutive semiannual rental payments in arrears. The interim rental payments are payable on July 1, 1980, and January 2, 1981 (the latter date being hereinafter called the "Basic Rent Commencement Date"). The 40 semiannual rental payments are payable on January 2 and July 1 in each year, commencing July 1, 1981, to and including January 2, 2001 (each of such dates on which interim rental payments are payable and such 40 consecutive dates being hereinafter called a "Rental Payment Date"). The interim rental payment due on July 1, 1980, for any Unit shall be in an amount equal to the product of (a) the number of actual days elapsed from and including the Closing Date (as defined in the CSA) for such Unit to, but not including, July 1, 1980, times (b) .0287671239% of the Purchase Price (as defined in the CSA) of such Unit (the "Interim Rental Factor"). The interim rental payment due on the Basic Rent Commencement Date for any Unit shall be in an amount equal to (a) the number of actual days elapsed from and including the later of July 1, 1980, and the Closing Date for such Unit to, but not including, the Basic Rent Commencement Date, times (b) the Interim Rental Factor. The next 20 semiannual rental payments shall each be in an amount equal to 3.75177% of the Purchase Price of each Unit. The subsequent 20 semiannual rental payments shall each be

in an amount equal to 4.58183% of the Purchase Price of each Unit. The Lessee and the Lessor agree that, except as hereinafter provided, the rentals payable hereunder and the Casualty Value percentages set forth in Schedule B hereto will be adjusted upward or downward in the event that (A) any amendment to, or change in, the Internal Revenue Code of 1954, as amended (the "Code"), the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations is enacted or has an effective date on or prior to January 1, 1981, (B) any Closing Date is held on a date which causes March 15, 1980 (the 75th day of 1980), not to be the average of all Closing Dates for all Units (the average of all Closing Dates shall be a weighted average and shall be determined by (i) multiplying the number of Units purchased by the Vendee on each Closing Date by the actual number of days elapsed from and including January 1, 1980, to such Closing Date (the "Unit Days"), (ii) adding together the Unit Days for all Closing Dates ("Total Unit Days"), and (iii) dividing such Total Unit Days by the aggregate number of Units purchased by the Vendee and leased hereunder), (C) there occurs any material change in the description of the Units leased hereunder from the Units contemplated as shown on Schedule A hereto or (D) any Unit is placed in service after June 30, 1980. If the amendment to or change in the Code, regulations or interpretations described in the preceding sentence results in an increase in the investment credit, referred to in § 16(a)(i) hereof, available to the Owner, the Lessee shall be paid a cash rebate. Any rental adjustment (which may result in rentals of even or uneven amounts) shall be effective as of the first Rental Payment Date following the event giving rise to such adjustment. Any rental adjustment or any cash rebate shall be made in such manner as will result, in the Owner's reasonable judgment, in preserving for the Owner both the after-tax rate of return and the after-tax cash flow that would have been realized by such Owner had such event not occurred, (i) based on the rates of Federal, state and local taxes on, or measured by, net income in effect from time to time, and (ii) in all other respects based on the assumptions and methods of calculation utilized by the Owner in originally evaluating the transaction described in this Lease and related documents (such after-tax cash flow and after-tax rate of return being hereinafter called the "Return and Cash Flow Requirement"). Any provision hereof to the contrary notwithstanding, the rentals payable and Casualty Value percentages will never be less than those amounts and percentages required (x) to enable the Lessor to satisfy

its obligations to pay or prepay the CSA Indebtedness and interest thereon, regardless of any limitation of liability set forth in the CSA, and (y) to enable the Owner to satisfy all the requirements set forth in Rev. Proc. 75-21, 1975-1 Cum. Bull. 715 (except Section 5.01 thereof), as such requirements may be modified or adjusted as of the applicable Rental Payment Date or the date of the cash rebate, it being understood that any such cash rebate shall be taken into account as a reduction of total rentals payable for purposes of this clause (y). The Owner shall furnish the Lessee and the Vendor prior to the effective date of any rental adjustment or any cash rebate with a notice setting forth in reasonable detail the computations and methods used in computing such rental adjustment or cash rebate. If the rental reductions that become effective pursuant to this paragraph would not, over the remainder of the original term of this Lease, enable the Lessee to recover all the rental reductions to which it is entitled, then the Lessee shall also be entitled to, and the Lessor shall pay during the remainder of the original term of this Lease (and, if necessary to effectuate receipt by the Lessee of the maximum permissible rental reductions and cash rebates, during any renewal term) one or more cash rebates in the maximum amount which, together with the rental reductions received, would satisfy the requirements of clause (y) of the second preceding sentence and the Return and Cash Flow Requirements, taking into account the time each rental reduction or cash rebate was delayed on account of the requirements of clauses (x) and (y) of the second preceding sentence. If the Lessee is entitled to a rental reduction or a cash rebate pursuant to this paragraph but for the requirements of Rev. Proc. 75-21 (except Section 5.01 thereof) that are in effect on the applicable Rental Payment Date and such requirements are subsequently superseded or amended to permit or otherwise apply to permit, all or part of such rental reductions or cash rebates, then the Lessee shall be entitled to the maximum rental reductions or cash rebates, or both, during the original and any renewal term of this Lease that are permissible under Rev. Proc. 75-21 (except Section 5.01 thereof), effective as of the first Rental Payment Date following the date of such amendment and that will satisfy the Return and Cash Flow Requirements, taking into account the time each rental reduction or cash rebate was delayed on account of the requirements of Rev. Proc. 75-21.

In addition to the rentals set forth above, the

Lessee agrees to pay to the Lessor as additional rentals amounts which, after deduction of any taxes payable in respect of such amounts, will be equal to the amounts required by the Lessor to make the payments provided for (a) in the third from last sentence of the third paragraph of Paragraph 2 of the Participation Agreement and (b) in Paragraph 10 of the Participation Agreement to the extent that the remaining cash and proceeds of the Investments (as defined therein) available to the Lessor as specified in said paragraph are insufficient to enable the Lessor to make such payment, in each case on the dates the Lessor is required to make such payments (without regard to any limitation of the obligation of the Lessor set forth therein) and the Lessor agrees to apply such rentals for such purposes.

If any of the Rental Payment Dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next preceding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, New York, New York, or Hartford, Connecticut, are authorized or obligated to remain closed.

The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, but excluding all payments not assigned to the Vendor pursuant to the Lease Assignment, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the CSA, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor by 10:00 a.m., Chicago time, on the date such payment is due.

Notwithstanding any other provision hereof, to the extent that, prior to termination of this Lease, the Lessee shall be denied possession or use of a Unit because of the

exercise of any right or remedy of the Vendor under the CSA upon the occurrence of a default under the CSA which does not result from an Event of Default under this Lease, the Lessee shall have no further obligation to make any additional rental payments for such Unit with regard to periods subsequent to and during its loss of such possession or use of such Unit.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the final Rental Payment Date. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9, 14 and 16 hereof) shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Schedule A hereto, and will keep and maintain plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission", with appropriate changes thereof as from time to time may be required by law, in the opinion of the Vendor and the Lessor, in order to protect the Lessor's and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have

been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed and deposited and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed and deposited, that such filing and deposit will protect the Vendor's and the Lessor's rights in such Units and that no other filing, deposit or giving of notice with or to any Federal, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

§ 6. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor (in both its individual and fiduciary capacities) or the Owner for collection or other charges and will be free of expense to the Lessor (in both its individual and fiduciary capacities) or the Owner with respect to the amount of any Federal, state, local or foreign taxes (including income, gross receipts, franchise, sales, use, property (real or personal, tangible or intangible), stamp and minimum (imposed under Section 56 of the Internal Revenue Code of 1954, as amended) taxes), or license fees, assessments, charges, fines or penalties (all such expenses, taxes, license fees, assessments, charges, fines and penalties being hereinafter called "impositions") hereafter levied or imposed upon or in connection with or measured by any Unit or this Lease or any manufacture, sale, rental, ownership, possession, use, payment, shipment, delivery, nondelivery, rejection, transfer of title, return or other disposition of the Equipment or any interest therein (other than a transfer or disposition of any Unit or interest therein by the Lessor or the Owner or of the Lessor's or Owner's interest in this Lease or the rentals payable hereunder prior to the occurrence of an Event of

Default hereunder, whether such transfer or disposition is voluntary or involuntary, or following return of any Unit in accordance with § 14 hereof), under the terms hereof or the CSA (other than any United States Federal income tax on or measured by the net income of the Owner in consequence of the receipt of payments provided for herein and other than the aggregate of all state or local taxes on or measured by the net income of the Owner or the Lessor based on such receipts and value added taxes in lieu of such net income taxes up to the amount of any such taxes which would be payable to the state and city in which the Owner or the Lessor, as the case may be, has its principal place of business without apportionment to any other state, and other than any state franchise tax which is not based on or measured by net income, except any such tax which is in substitution for, or relieves the Lessee from the payment of, taxes which the Lessee would otherwise be obligated to pay pursuant to this § 6), all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the receipts or earnings arising therefrom (except as provided above) or upon the Lessor by reason of its ownership thereof or the Owner by reason of its interest therein and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or the interest of the Owner or the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions of any kind so long as such imposition remains unpaid and the Lessee is contesting in its own name and in good faith and by appropriate legal or administrative proceedings such impositions, or the Lessor or the Owner, as the case may be, is required to contest such impositions as provided in this § 6, and the nonpayment thereof does not, in the reasonable opinion of such party, adversely affect the title, property or rights of the Lessor or the Owner hereunder or the Lessor or the Vendor under the CSA. The Lessee agrees to give such party notice of such contest brought in the Lessee's name within 30 days after institution thereof and the Lessor agrees to provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any impositions shall have been charged or levied against such party directly and paid by such party, the Lessee shall pay such party on

presentation of an invoice therefor if such party shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for such party) or the Lessee shall have approved the payment thereof, and such party agrees to give the Lessee written notice promptly after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such imposition, as hereinafter provided in this § 6.

In the event that the Lessor shall become obligated to make any payment to a Builder or the Vendor or otherwise pursuant to any corresponding provision of the CSA not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed impositions hereunder) to the Lessor to fulfill completely its obligations pursuant to said provision; provided, however, that the Lessor shall have contested (if required to do so under this § 6) such impositions in good faith and to the extent permitted under the CSA.

In the event any returns, statements or reports with respect to impositions are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor, the Owner and the Vendor in such Units, as shall be satisfactory to the Lessor, the Owner and the Vendor or, where not so permitted, will notify the Lessor, the Owner and the Vendor of such requirement and will prepare and deliver such reports to the Lessor, the Owner and the Vendor within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor, the Owner and the Vendor.

In the event that, with respect to any period during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration or termination of this Lease, until all such impositions are paid or reimbursed by the Lessee.

If claim is made against any indemnified party for any impositions indemnified against under this § 6, such party shall promptly notify the Lessee. If reasonably requested by the Lessee in writing and so long as the Lessee is prohibited or impaired from doing so in its own name, such indemnified party shall, upon receipt of indemnity satisfactory to it for all costs, expenses, losses, legal

and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such impositions by (a) resisting payment thereof if legally permissible, (b) not paying the same except under protest, if protest is necessary and proper, and (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. If such indemnified party shall obtain a refund of all or any part of such impositions previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon applicable to the amount paid by the Lessee and the period of such payment, such indemnified party shall pay to the Lessee the amount of such refund or interest net of expenses, but only if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing.

The Lessee shall, whenever reasonably requested by the Lessor or the Owner, submit to such party copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to such party of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as such party reasonably may require to permit such party's compliance with the requirements of taxing jurisdictions, including data available to the Lessee relating to use of any Unit outside the United States.

The amount which the Lessee shall be required to pay with respect to any imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the indemnified party to the same net after-tax rate of return and after-tax cash position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that such indemnified party would have been in had such imposition not been imposed.

The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the payment of any installments of principal or interest payable under the CSA, or a guarantee of any residual value of the Units following the expiration of the term hereof as such term may or may not be renewed.

§ 7. Maintenance; Casualty Occurrences; Insurance.

The Lessee at its own expense will maintain and service each Unit (including any parts installed or replacements made to any unit and considered an Addition [as defined in § 9 hereof] hereunder) which will include testing, repair and overhaul of each Unit so that each Unit will remain (a) in as good operating condition as when delivered (ordinary wear and tear excepted), (b) in compliance with any and all applicable laws and regulations and (c) eligible for railroad interchange in accordance with the interchange rules of the Association of American Railroads, if such rules are applicable.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or irreparably damaged, from any cause whatsoever, permanently returned to the Builder thereof pursuant to any patent indemnity provision of the CSA, or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of this Lease or for an indefinite period, but only when such period shall exceed the term hereof (or, if such taking, requisition or condemnation shall occur during a renewal term, for a stated period which shall exceed the then remaining renewal term or for an indefinite period, but only when such period shall exceed such renewal term), or by any other government or governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly (but in any event within 30 days after such Casualty Occurrence) and fully notify the Lessor, the Owner and the Vendor with respect thereto. On the Rental Payment Date next succeeding such notice (the "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on the Casualty Payment Date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the Casualty Payment Date. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or permanent return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit.

The "Casualty Value" of each Unit as of any Rental Payment Date shall be an amount equal to that percentage of

the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date; provided, however, that if the Casualty Value for any Unit as of such payment date as determined pursuant to Schedule B reflects an amount representing investment credit recapture to the Owner that is greater or lesser than the actual amount of investment credit recapture incurred by the Owner as a result of the Casualty Occurrence to such Unit, the Casualty Value for such Unit as so determined shall be appropriately decreased or increased so as to reflect the actual amount of investment credit recapture incurred by the Owner as a result of the Casualty Occurrence to such Unit.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is due pursuant to § 3 hereof and before (a) such Unit shall have been returned in the manner provided in § 14 hereof, and (b) the storage period therein provided with respect to such Unit shall have expired, the Lessee shall promptly (as provided above) and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall, except as otherwise provided in § 13 hereof, be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit or return to the Builder of such Unit), the Lessor shall be entitled to recover possession of such Unit.

In the event of the requisition (other than a requisition which constitutes a Casualty Occurrence) for use by the United States Government or by any other government or governmental entity (hereinafter collectively called the "Government") of any Unit during the term of this Lease or any renewal thereof, all of the Lessee's obligations (including, without limitation, the obligation to pay rent) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or any renewal thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or any renewal thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor

or the Lessee from the Government for the use of such Unit during the term of this Lease or any renewal thereof shall be paid over to, or retained by, the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease or any renewal thereof, shall be paid over to, or retained by, the Lessor.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence, or any component thereof, at the best price obtainable on an "as is, where is" basis and the Lessee shall notify the Lessor and the Owner prior to any such sale. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit plus the Lessee's out-of-pocket expenses in connection with such sale and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit permanently returned to the Builder pursuant to any patent indemnity provision of the CSA an amount equal to any net patent indemnity payment in respect of such Unit made by the Builder to the Vendee under the CSA. The Lessee will pay all costs and expenses in connection with the sale of any Unit pursuant to a Casualty Occurrence.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained (and shall furnish to the Lessor, the Owner and the Vendor a certificate evidencing) property insurance and public liability insurance in respect of the Units at the time subject hereto, in amounts (subject to customary deductibles) and against risks customarily insured against by railroad companies in respect of similar equipment and, in any event, comparable in amounts and against risks

customarily insured against by the Lessee in respect of similar equipment owned by it. Any policies of insurance carried in accordance with this paragraph shall name the Lessor, the Owner and the Vendor as additional insureds as their respective interests may appear and shall provide for 30 days prior written notice to the Lessor, the Owner and the Vendor of any material change or cancelation. If the Lessor shall receive any property insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. Provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, all insurance proceeds received by the Lessor from the Lessee's property insurance coverage in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

§ 8. Reports and Inspection. On or before April 30 in each year, commencing with the calendar year 1981, the Lessee will furnish to the Lessor, the Vendor and the Owner (a) an accurate statement (i) setting forth as at the preceding December 31 the amount, description and numbers of all Units then leased hereunder and covered by the CSA, the amount, description and numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request, (ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the CSA have been preserved or replaced and (iii) setting forth a description of the insurance in effect with respect to the Equipment pursuant to § 7 hereof, and (b) a certification of insurance coverage from the Lessee's independent broker stating the

amounts of such insurance in effect and the amount of deductible. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease, but the Lessor shall have no obligation to do so. The Lessee shall promptly notify the Lessor and the Vendor of any material changes or any material proposed changes of which the Lessee has knowledge in its insurance coverage in effect with respect to the Equipment pursuant to § 7 hereof.

The Lessee shall promptly notify the Lessor, the Owner and the Vendor of any occurrence of an Event of Default or other event which after notice or lapse of time or both would become an Event of Default, specifying such Event of Default and all such events and the nature and status thereof.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR NEITHER MAKES, HAS MADE NOR SHALL BE DEEMED TO MAKE, ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builders under the provisions of Items 3 and 4 of Annex A to the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any

other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Inspection and Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which operations involving the Units may extend, with the interchange rules of the Association of American Railroads (which term shall include any successor organization thereof), if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units (all such laws and rules to such extent being hereinafter called the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof, the Applicable Laws require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the opinion of the Lessor, the Owner or the Vendor, adversely affect the property or rights of the Lessor, the Owner or the Vendor under this Lease or under the CSA. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the

United States Department of Transportation, the Interstate Commerce Commission or any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over such Unit) (collectively "Additions") to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units, shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease, and shall not render the Units ineligible for interchange service under the rules of the Association of American Railroads. Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in the Lessor and be subject to a valid first lien and prior perfected security interest under the CSA in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for, any such original Part; (ii) such Part is required to be incorporated in or installed as part of the Units pursuant to the provisions of the first paragraph of § 7 hereof or the terms of the first sentence of this paragraph; or (iii) such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as a result of such alterations or additions shall vest in the Lessee and may be removed by the Lessee at any time during the term of this Lease and prior to the renewal thereof and prior to the return of the Units to the Lessor pursuant to § 14 hereof. The term "Part" for the purposes of this paragraph shall be defined to include any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessee agrees to indemnify, protect and hold harmless the Lessor (in both its individual and fiduciary

capacities), the Owner and the Vendor and their respective successors, assigns, agents and servants from and against all losses, damages, injuries, liabilities, claims (including, without limitation, claims for strict liability in tort and claims based on the passive or active negligence of an indemnified person) and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent, trademark or copyright liabilities, penalties and interest, arising out of or alleged to arise out of or as the result of the entering into or the performance of or the occurrence of a default, an event of default or an Event of Default under the CSA, the Participation Agreement, this Lease, or any sublease entered into pursuant to § 12 hereunder, the ownership of any Unit, the ordering, acquisition, replacement, operation, use, condition (including any latent or patent defects in any Unit), purchase, delivery, rejection, storage or return of any Unit or any accident in connection with, or alleged to have occurred in connection with, the ordering, acquisition, replacement, operation, use, condition, purchase, delivery, possession, storage or return of any Unit resulting in damage to or loss of property or injury or death to any person, except as otherwise provided in § 14 of this Lease, the transfer of title to the Equipment by the Vendor pursuant to any provision of the CSA or the alleged violation of the terms of any agreement, this Lease or any law, regulation, ordinance or restriction affecting the Units, except any matter otherwise indemnified by the Lessee caused by any act or omission of the Lessor or the Owner not related to transactions contemplated by the Documents (as defined in the Participation Agreement) or caused by an act or omission of an indemnified person in violation of the provisions of its Documents provided that this exception shall not apply to any matter with respect to which the Vendor is claiming indemnification to the extent of the Vendor's claim unless such claim was the direct result of the Vendor's default under its Documents (all of which matters indemnified against pursuant to the above being hereinafter called the "Indemnified Matters"). The amount the Lessee shall be required to pay with respect to any Indemnified Matter shall include a payment to the indemnified person sufficient to restore such person to the same position, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that the indemnified person would have been in had the Indemnified Matter not been incurred. The Lessee shall be obligated under this

§ 9, irrespective of whether any indemnified person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the indemnified person seeking to enforce the indemnification may proceed directly against the Lessee under this § 9 without first resorting to any such other rights of indemnification.

The Lessee further agrees to indemnify, protect and hold harmless the Lessor (both individually and in its fiduciary capacity) and the Vendor and the Owner, as third-party beneficiaries hereof, from and against any and all liabilities, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor, the Owner or the Lessor because of the use in or about the construction or operation of any of the Units of any article or material specified by the Lessee and not manufactured by a Builder or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by a Builder which infringes or is claimed to infringe on any patent or other right. The Lessee will give notice to the appropriate Builder of any claim known to the Lessee from which liability may be charged against such Builder with respect to the foregoing.

The Lessee shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any or all of the Units.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required filing date (or, to the extent permissible, file on behalf of the Lessor or Owner) any and all reports (other than tax returns, except as otherwise provided in § 6 hereof) to be filed by the Lessor or Owner with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units, or the leasing thereof to the Lessee.

None of the indemnities in this § 9 shall be deemed to create any rights of subrogation, from or under any indemnified person, in any insurer or third party against the Lessee or the Lessor therefor, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any

installments of principal or interest payable under the CSA or a guarantee of the residual value of the Units. The indemnities contained in this § 9 shall survive the expiration or termination of this Lease and return of the Units as provided in § 14 hereof with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any indemnified person.

Upon the payment in full of any indemnities as contained in this § 9 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing (i) the Lessee shall be subrogated to any right of such indemnified person (except against another indemnified person) in respect of the matter against which indemnity has been given and (ii) any payments received by such indemnified person from any person (except the Lessee) as a result of any matter with respect to which such indemnified person has been indemnified by the Lessee pursuant to this § 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment of any amount provided for in § 3, § 7 or § 13 hereof, and such default shall continue for five business days;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof, and the Lessee shall, for more than 30 days after demand in writing by the Lessor, fail to secure a reassignment or retransfer to the Lessee of such Lease, interest or right;

(C) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Consent or in the Participation Agreement, and such default shall continue for 30 days

after written notice from the Lessor or the Vendor to the Lessee specifying the default and demanding that the same be remedied;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(E) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee, or for the property of the Lessee, in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after

such proceedings shall have been commenced;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify:

(x) a sum, with respect to each Unit, equal to (A) the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period,

such present value to be computed in each case on the basis of a 8% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated plus (B) to the extent not paid pursuant to any other section of this Lease an amount which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt thereof under the laws of any Federal, state or local government or taxing authority of the United States of America or under the laws of any taxing authority or governmental subdivision of a foreign country, shall, in the reasonable opinion of the Lessor, be equal to all or such portion of the investment credit, referred to in § 16(a)(i) hereof, lost, not claimed, not available for claim, disallowed or recaptured by or from the Lessor as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 16 or any other provision of this Lease or the sale or other disposition of the Lessor's interest in any Unit after the occurrence of an Event of Default, plus such sum as shall cause the Lessor's net return under this Lease to be equal to the net return that would have been available to the Lessor if it had been entitled to utilization of all or such portion of the deductions with respect to depreciation and interest, referred to in §§ 16(a)(ii) and (iii), respectively, hereof which were lost, not claimed, not available for claim or disallowed or recaptured in respect of a Unit as a direct or indirect result of the breach of one or more of the representations, warranties and covenants made by the Lessee in § 16 or any other provision of this Lease, the inaccuracy of any statement in any letter or document furnished to the Lessor by the Lessee, the termination of this Lease, the Lessee's loss of the right to use such Unit, any action or inaction by the Lessee or the sale or other disposition of the Lessor's interest in such Unit after the occurrence of an Event of Default plus such sum as will pay or reimburse the Lessor for any interest, penalties or additions to tax incurred in connection with such loss, failure to claim, inability to claim, disallowance or recapture; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at

such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) or (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The Lessee hereby waives any and all claims against the Lessor and the Vendor and their agent or agents for damages of whatever nature in connection with any retaking of any Unit in any reasonable manner. The Lessor and the Lessee agree that the Lessor shall be entitled to all rights (such rights being fundamental to the willingness of the Lessor to enter into this Lease) provided for in 11 U.S.C. § 1168 or any comparable provision of any amendment thereto, or of any other bankruptcy act, so that the Lessor shall have the right to take possession of the Equipment upon an Event of Default under this Lease regardless of whether the Lessee is in reorganization, subject to the provisions of 11 U.S.C. § 1168 or any such comparable provision.

No failure by the Lessor to exercise, and no delay by the Lessor in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by the Lessor preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

If the Lessee fails to perform or comply with any agreement, covenant or condition contained in this Lease, and such nonperformance or noncompliance could, with the lapse of time and/or demand or failure to take action, result in an Event of Default under clause (A) or (C) of this § 10, the Lessor may (but shall not be required to), upon notice to the Lessee, itself perform or comply with such agreement, covenant or condition and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amounts at the rate of 11-1/2% per annum, or if such rate is not legally enforceable then at the highest legally enforceable rate, shall be payable to the Lessor by the Lessee upon demand. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor against the Lessee hereunder or be deemed to cure a default by the Lessee hereunder.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Except as hereinafter provided, each Unit so delivered shall be in the condition required by clauses (a), (b) and (c) of the first sentence of § 7 hereof. For the purpose of delivering possession, the Lessee shall:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance (which shall conform to the provisions of § 7 hereof), rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor

but in no event later than the latest of (i) 30 days after the termination of the security title and interest of the Vendor under the CSA, (ii) a storage period of 180 days following notification by the Lessee to the Lessor that 90% of the Units have been delivered for storage (or with respect to any Unit not delivered at the time of such notification, 180 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage) and (iii) 30 days after termination of any interference by legal process with possession of the Units by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by the Lessee or any of its affiliates or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. Except as hereinafter provided, during any storage period, the Lessee will, at its own expense, maintain and keep the Equipment in the condition required by clauses (a), (b) and (c) of the first sentence of § 7 hereof and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. Anything to the contrary contained in this § 11 notwithstanding, the Lessee shall have no obligation under clause (b) or clause (c) of the first sentence of § 7 hereof after the later of (i) the termination of the security title and interest of the Vendor under the CSA and (ii) the earlier of the Lessor's disposition of the Units and the scheduled date of expiration of any term of this Lease. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day after such termination an amount equal to the amount, if any, by which .031507% of the Purchase Price of such Unit exceeds the actual earnings received by the Lessor with respect to such Unit for each such day; such payment shall not affect the obligation of the Lessee to redeliver the Units in accordance with the first sentence of this § 11.

Without in any way limiting the foregoing obliga-

tions of the Lessee under this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns.

So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and, without the prior written consent of the Lessor and the Vendor, the Lessee may sublease (which sublease by its terms shall be subject to the rights and remedies of the Lessor and the Vendor hereunder) the Units to, or permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains or over which their equipment is regularly operated pursuant to contract, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Vendor's and the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that, taken together with all renewal terms provided for therein, would be longer than six months during any period of 12 consecutive months; provided further, however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving operation or maintenance outside the

United States of America except that occasional service in Canada shall be permitted so long as such service in Canada does not involve regular operation and maintenance outside the United States of America; and provided further, however, that any such sublease or use shall be consistent with the provisions of § 16 hereof. No such assignment or sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of the United States of America or any state thereof or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease and that such acquisition or lease of railroad lines of the Lessee shall not alter in any way the Lessee's obligation to the Lessor and Vendor hereunder which shall be and remain those of a principal and not a surety.

The Lessee, at its own expense, will as soon as possible cause to be duly discharged any lien, charge, security interest or other encumbrance (except any sublease as aforesaid and other than an encumbrance created by the Lessor, the Owner or the Vendor which is not contemplated by the Documents (as defined in the Participation Agreement) or resulting from claims against the Vendor, the Lessor or the Owner not related to the ownership or leasing of, or the security title or security interest of the Vendor to, the Units) which may at any time be imposed on or with respect to any Unit including any accession thereto or the interest of the Vendor, the Owner or the Lessor therein; except that this covenant will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent; and, furthermore, the Lessee shall be under no obligation to discharge any such lien, charge, security interest or encumbrance so long as it is contesting the same in good faith and by appropriate legal proceedings and the failure to

discharge the same does not, in the opinion of the Vendor, adversely affect the title, property or rights of the Lessor hereunder or the Vendor under the CSA.

§ 13. Right of Renewal; Right of First Refusal.
Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease, elect to extend the term of this Lease in respect of all but not fewer than all the Units then covered hereby, for a period of five years (the "extended term") commencing on the scheduled expiration of the original term of this Lease.

The extended term of the Lease shall be on the same terms and conditions as are contained in the Lease, except (x) as to the amount of rentals, which shall be at a Fair Market Rental (as hereinafter defined) payable, in arrears, in semiannual payments on the dates on which such rentals were payable for the Units in each year of the original term and (y) that the Casualty Value of each Unit on the first day of the extended term shall be equal to the greater of (a) the Fair Market Purchase Price (as hereinafter defined) of such Unit on such date, or (b) the present value as of such date, of all rentals payable during such extended term, discounted at a rate of 10% per annum, compounded semiannually, from the respective dates upon which such rentals are payable hereunder; and thereafter such Casualty Value shall be reduced on a straight-line basis (computed on the basis of a 360-day year of 12 30-day months over the estimated remaining useful life of such Unit which shall, if not agreed upon by the Lessor and the Lessee, be determined by appraisal consistent with the procedure hereinafter set forth) for the remainder of such extended term, all as determined by the procedures hereinafter established.

If the Lessee shall not have elected to extend the term of this Lease at the expiration of the original or any extended term of this Lease but shall have given the Lessor notice of its intention to exercise a right of first refusal with respect to the Units not less than six months prior to the expiration of the original or such extended term of this Lease and the Lessor elects to sell the Units to third parties effective upon the expiration of the original or such extended term of this Lease, the Lessor shall (a) as promptly as practicable after the Lessee shall have given such notice, and in any event not less than 100 days

prior to the expiration of the original or such extended term, notify the Lessee that it intends to sell the Units (or any of them) and shall, if the Fair Market Purchase Price is not otherwise agreed upon by the Lessor and Lessee, engage an appraiser appointed as provided in this § 13 (the cost of which shall be shared equally by the Lessor and the Lessee so long as the Lessee buys the Units pursuant to this paragraph and otherwise the Lessee shall bear such cost) to determine the Fair Market Purchase Price of the Units and, upon receipt of such determination, deliver a true copy thereof to Lessee, and (b) in a commercially reasonable manner, solicit offers to buy such Units (excepting additions, modifications and improvements which may be removed by the Lessee pursuant to § 9 hereof), and upon receipt thereof shall exhibit to the Lessee a true copy of the most favorable bona fide offer, if any, from a party not related to the Lessee, and the Lessee shall have a right of first refusal, exercisable by written notice delivered within 15 days of the later receipt of said copy (or of notice that an offer has not been received) or said determination of the Fair Market Purchase Price, to purchase such Units at the higher of (1) the Fair Market Purchase Price determined by the appraiser or (2) if an offer is received, the sale price set forth in such offer. If no such offer is received, the Fair Market Purchase Price shall be the Lessee's purchase price. In the event that the Lessee shall have delivered a notice of its election to purchase such Units, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth herein from the date such notice is delivered to the Lessor until the date of such purchase, which shall be not more than 15 days after the last day of the original or extended term of this Lease.

Upon payment of the Fair Market Purchase Price of any Unit (or such other purchase price as is provided for herein), pursuant to an exercise by the Lessee of its right to purchase such Units, the Lessor shall execute and deliver to the Lessee, or upon request of the Lessee, to the Lessee's assignee or nominee, (i) a bill of sale (without warranties, except as hereinafter provided in this clause (i)) for such Units such as will transfer to the Lessee title to such Units free and clear of all claims, liens, security interests and other encumbrances created by or arising through the Lessor or the Owner, other than claims, liens, security interests and encumbrances which the Lessee is obligated to pay or discharge under or pursuant to this Lease and (ii) an

opinion of counsel (who may be in-house counsel of the Owner) satisfactory to the Lessee, to such effect. Notwithstanding the foregoing, if any Units so purchased are to be sold to the Lessee under a conditional sale agreement, the Lessor shall have the right to retain a security interest in such Units until such time as all payments in respect thereof have been made.

In the event that the Lessee renews the Lease for the extended term referred to in the first paragraph of this § 13, and the Lessor (having no obligation to attempt to sell the Units) does not give the 100 days notice referred to in the third paragraph of this § 13 and the Lessor receives an offer from a third party or parties not related to the Lessor for the leasing of any Unit or Units, which offer is acceptable to the Lessor, the Lessor shall so notify the Lessee prior to the expiration of the extended term as long as no Event of Default is continuing. If the Lessee notifies the Lessor within 15 days of the notice referred to in the preceding sentence of its intention to further extend this Lease with respect to such Units, this Lease shall be so extended, on the same terms and conditions and for such Units as were contained in such acceptable third-party offer.

The Fair Market Rental and Fair Market Purchase Price shall be determined on the basis of, and shall be equal in amount to, the cash rental, or the purchase price (as of such date as the context herein requires), as the case may be, which would obtain in an arm's-length transaction between an informed and willing lessee or purchaser, as the case may be, and an informed and willing lessor or seller, as the case may be (other than a lessee currently in possession), under no compulsion to lease or sell, as the case may be, but there shall be excluded from such determination any rental or purchase value attributable to additions, modifications and improvements which the Lessee is entitled to remove pursuant to § 9 hereof; provided, however, that Fair Market Rental shall be determined on the basis of the term and other terms and conditions of the lease being considered. In making such determination, costs of removal from the location of current use shall not be a deduction from such rental or purchase price and it shall be assumed that the Units have been collected in one place on the lines of the Lessee as directed by the Lessor. If, after 20 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease or the giving of notice by the Lessor that it intends to sell the Units, as aforesaid, the Lessor and the Lessee are unable to agree upon

a determination of the Fair Market Rental or Fair Market Purchase Price of the Units, such rental or purchase price shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such rental or purchase price by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 15 business days after such notice is given, each party shall appoint an independent appraiser within 20 business days after such notice is given, and the two appraisers so appointed shall within 25 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 25 business days after such notice is given, either party may request the American Arbitration Association to make such appointment, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental or the Fair Market Purchase Price, as the case may be, of the Units then subject to this Lease, within 30 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental or Fair Market Purchase Price, as the case may be, of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from that of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Rental or Fair Market Purchase Price, as the case may be. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental or Fair Market Purchase Price, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. Except as otherwise provided herein, the Lessee and the Lessor shall equally share all appraisal procedure expenses.

§ 14. Return of Units upon Expiration of Term.
As soon as practicable on or after the expiration of the

original or the extended term of this Lease with respect to any Unit, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Unit, if not purchased by the Lessee, to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate in such city on the lines of the Lessee as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may reasonably select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 120 days following notification to the Lessor by the Lessee that 90% of the Units have been assembled and delivered for storage (or, with respect to any Unit not delivered at the time of such notification, 120 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage) and transport the same, at any time within such 120-day period, to any reasonable place on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as mutually agreed upon by the Lessor and the Lessee (except that the Lessor may require that no more than 250 Units be transported as provided herein, during any 30-day period), the movement and storage of such Units to be at the expense and risk of the Lessee (which shall during such period maintain the insurance required by § 7 hereof); and in the event that any Unit shall suffer a Casualty Occurrence during such storage period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in § 7 hereof. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, on behalf of either the Lessor or any prospective purchaser, lessee or user, such rights of inspection. Except as hereinafter provided in this § 14, each Unit returned to the Lessor pursuant to this § 14 shall (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) be in the condition required by clauses (a), (b) and (c) of the first sentence of § 7 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During any storage period, the Lessee will, at its own expense, maintain and keep the Units (except for addi-

tions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) in the condition required by clause (a) of the first sentence of § 7 hereof. Notwithstanding anything to the contrary contained in this § 14, the Lessee shall have no obligation under clause (b) or (c) of the first sentence of § 7 hereof after expiration of the original or any extended term of this Lease. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which (x) .028689% of the Purchase Price of such Unit exceeds (y) the actual earnings received by the Lessor with respect to such Unit for each such day; such payment shall not affect the obligation of the Lessee to redeliver the Units pursuant to this § 14.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the CSA and any assignment hereof or thereof to be filed in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignments hereof and thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the CSA, and the assignments thereof, shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall be made for publication of

notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 16. Tax Indemnities. (a) If:

(i) on the date of delivery of any Unit of Equipment the Owner is not entitled to an investment credit under Section 38 and related sections of the Code with respect to such Unit of not less than 10% of the Purchase Price with respect to such Unit (sometimes hereinafter called "Investment Tax Credit"); or

(ii) the Owner is not allowed the benefit of current deductions for depreciation on any one or more of the Units under Section 167(a) of the Code (x) computed pursuant to any method of depreciation authorized by Section 167(b)(2) or (3) of the Code and pursuant to the asset depreciation range system of Section 167(m) of the Code and Section 1.167(a)-11 of the income tax regulations, (y) computed on the basis (A) of a net salvage value of zero, (B) that the basis of such Unit or Units under Section 167(g) of the Code is not less than the Purchase Price with respect to such Unit or Units, and (C) that such Unit or Units are entitled to an asset depreciation period of 12 years, which is the lower limit listed in Rev. Proc. 77-10, 1977-1 C.B. 548, for property classified in Asset Guideline Class 00.25, and (z) determined on the basis of the "modified half-year convention" of Section 1.167(a)-11(c)(2) (ii) of the income tax regulations; or

(iii) the Owner is not allowed the benefit of current deductions under Section 163 of the Code for interest payable under the CSA; or

(iv) any investment credits or deductions for depreciation with respect to any one or more of the Units are disallowed in whole or in part, or are recaptured in whole or in part pursuant to Section 47 or Section 1245 of the Code or any successor provision or provisions thereto; or

(v) any amount includible in the gross income of the Owner with respect to any one or more of the Units or any deduction allowable to the Owner with respect to such Unit or Units or with respect to any interest payable under the CSA shall be treated as derived from,

or allocable to, sources outside the United States; or

(vi) any amount is included, at any time prior to the end of the term of this Lease (including any renewal terms), in the gross income of the Owner as a result of any repair, improvement, alteration, modification or addition (including replacement of parts) to such Unit or Units made by the Lessee (herein called a "Capital Expenditure"); provided that in the event a Capital Expenditure is included in the gross income of the Owner, the Owner shall attempt to maximize the future tax benefits from such Capital Expenditure by making such elections (including where advantageous accelerated depreciation elections and election of the applicable asset guideline repair allowance if then permitted) as will increase the Owner's tax deductions; provided, further, that in the event any such future tax benefits are disallowed or recaptured, such disallowance or recapture shall, to the extent contemplated by this paragraph (a), constitute a Loss, as such term is hereinafter defined;

then the Owner shall be entitled only to such indemnities by the Lessee as are provided in the first paragraph of paragraph (b) of this § 16, subject to the exceptions set forth in the second paragraph of paragraph (b) of this § 16. For purposes of this § 16 any such aforementioned failure to allow, such recapture, such treatment of income or deductions as derived from or allocable to sources without the United States, or such inclusion in gross income as a result of a Capital Expenditure shall be hereinafter called a "Loss".

(b) Except as hereinafter provided, the Lessee shall be required to indemnify the Owner with respect to any Loss that results from:

(i) a Loss described in clause (i) or (ii) of paragraph (a) of this § 16, if such Loss results from the use of a Unit by any person so as to preclude the "original use of such property" within the meaning of Section 48(b) or Section 167(c)(2) of the Code from commencing with the Owner; or

(ii) the Lessee's use of a Unit or Units in such a manner as to result in a Loss described in clauses (i), (ii), (iv) or (v) of paragraph (a) of this § 16; or

(iii) a Capital Expenditure; or

(iv) any act, or failure to act, at any time, by the Lessee or any of its officers, employees or agents (including, without limitation, any act, or failure to act, in respect of the income tax returns of the Lessee insofar as they relate to the transaction contemplated by this Lease and related documents, it being understood that the Lessee will not take or fail to take any action that is inconsistent with the Owner being treated as the owner, and the Lessee being treated as the lessee, of the Units for Federal, state and local income tax purposes); or

(v) the disallowance of any portion of the Purchase Price of any Unit or Units in the basis thereof.

Notwithstanding the provisions of the immediately preceding clauses (i) through (v) of this paragraph (b), the Lessee shall not be required to indemnify the Owner with respect to any Loss that results solely and directly from any of the following "Excluded Events":

(i) a Casualty Occurrence, if the Lessee has made all payments with respect thereto that are required to be made pursuant to § 7 hereof; or

(ii) a voluntary transfer or other voluntary disposition by the Owner or any transfer or disposition by the Owner resulting from bankruptcy or other proceedings for relief of debtors in which the Owner is the debtor, whether voluntary or involuntary, of any interest in such Unit or the voluntary reduction by the Owner of its interest in the rentals from such Unit under the Lease (other than pursuant to the assignment of this Lease to the Vendor), unless, in each case, an Event of Default (or an event that, with the lapse of time or the giving of notice, or both, would constitute an Event of Default) has occurred and is continuing under this Lease; or

(iii) the failure of the Owner to claim in a timely and proper manner (including all appropriate elections) on its income tax returns for the appropriate years any credits or deductions contemplated by paragraph (a) of this § 16; provided, however, that if the Owner furnishes to the Lessee a written opinion of the Owner's counsel that there is no meritorious basis to support a claim for any credit or deduction contemplated by paragraph (a) of this § 16, the Lessee may contest such opinion by engaging, at its expense, independent tax counsel,

selected by the Lessee with approval of the Owner (not to be unreasonably withheld) to determine if it would be proper to claim any such credit or deduction. If the Lessee fails to contest within 30 days after receipt of the opinion of the Owner's counsel, or its independent tax counsel concurs with such opinion, the Owner's failure to claim such credit or deduction shall not constitute an Excluded Event. If the opinion of the Lessee's independent tax counsel is to the effect that ~~there is a meritorious basis for claiming such credit or deduction, then the opinion of the Lessee's independent tax counsel shall be controlling, and the Owner's failure to claim such credit or deduction shall constitute an Excluded Event; or~~

(iv) the failure of the Owner to have sufficient Federal income tax liability against which to apply such credits or sufficient income to benefit from such depreciation or interest deductions; or

(v) the failure of the Owner to take timely action in contesting a claim made by the Internal Revenue Service, but only if such action is required by the terms of paragraph (c) of this § 16; or

(vi) except to the extent set forth in clause (A) of § 3 hereof, any amendment to, or change in, the Code, the income tax regulations thereunder or published administrative or judicial interpretations of the Code or such regulations; or

(vii) any participation in the residual value of any Unit at the end of the term of this Lease by any party other than the Owner; or

(viii) the tax status as a "Grantor Trust" of the trust purported to be created by the Trust Agreement; or

(ix) any act, or failure to act, at any time, by the Owner or any of its officers, employees or agents, which is inconsistent with the Owner's obligations under the Trust Agreement and the Participation Agreement, except at a time when an Event of Default (or an event that, with the lapse of time or the giving of notice, or both, would constitute an Event of Default) has occurred and is continuing.

(c) If at the conclusion of any audit the Owner receives a preliminary or "30 day" letter from the Internal Revenue Service proposing an adjustment in any item that, if agreed to by the Owner, would result in a Loss with respect to which the Lessee would be required to indemnify the Owner pursuant to this Lease, the Owner shall promptly notify the Lessee of such proposed adjustment and shall furnish to the Lessee a statement describing such Loss in reasonable detail. If requested to do so by the Lessee, within 20 days after receipt of such statement, the Owner shall promptly request from Messrs. Donovan Leisure Newton & Irvine, or such other independent tax counsel as may be selected by the Owner and approved by the Lessee (the "Special Tax Counsel"), their opinion as to whether there is a meritorious basis for contesting such proposed adjustment. If the opinion is to the effect that there is no meritorious basis for contesting such proposed adjustment, the Lessee, at its own expense, may request an opinion from an independent tax counsel of the Lessee's choice; and if such opinion is that there is a meritorious basis for contesting such proposed adjustment, the Owner and the Lessee will mutually agree on another independent tax counsel to render an opinion, at the Lessee's expense, which will be binding on both the Owner and the Lessee. If the opinion of Donovan Leisure Newton & Irvine, or of the Special Tax Counsel or of the third independent tax counsel provided for in the preceding sentence is to the effect that there is a meritorious basis for contesting such proposed adjustment, the Owner shall contest such proposed adjustment beyond the level of the Internal Revenue Service auditing agent by such administrative proceedings, if any, as may be determined by the Owner in its sole discretion. Upon the conclusion of such administrative proceedings, if any, the Owner shall promptly notify the Lessee of the final adjustment proposed by the Internal Revenue Service and, if the Owner receives within 30 days after such notice a written request to do so from the Lessee, the Owner shall contest such final adjustment in a court of competent jurisdiction. If the Lessee requests the Owner to appeal the decision of such a court or of any intermediate appellate court, the Owner shall promptly request from Special Tax Counsel their opinion as to whether there is a meritorious basis for appealing such decision. If the opinion is to the effect that there is a meritorious basis for appealing such decision, the Owner shall appeal such decision. The Owner, in its sole discretion, shall determine the initial and any appellate court and, if the adjustment relates to an item claimed on a tax return, shall determine whether the pro-

ceedings shall be for redetermination of the deficiency proposed to be assessed by the Internal Revenue Service or for refund of taxes paid on such deficiency. The Owner shall not be required to take any action as set forth in this paragraph (c) unless and until the Lessee shall have agreed to indemnify the Owner in a manner satisfactory to it for any Loss that results from an adverse determination with respect to the proposed adjustment and shall have agreed to pay to the Owner on demand all reasonable out-of-pocket costs and expenses, including without limitation attorney's fees and expenses incurred by it in connection with the taking of such action. If the Owner elects to pay taxes based on a proposed deficiency and sue for a refund thereof, (i) to the extent that the deficiency is related to Investment Tax Credit, the Lessee shall pay to the Owner on demand an amount which after deducting therefrom the amount of Federal, state and local taxes on net income incurred by the Owner as a result of the receipt thereof shall equal the amount of such taxes, interest, and any penalties thereon which the Owner shall have paid, and (ii) to the extent that the deficiency relates to issues other than Investment Tax Credit, the Lessee agrees to adjust the rentals to maintain the Owner's after-tax rate of return and after-tax cash flow in the manner specified in paragraph (d) of this § 16. If the Owner subsequently receives a refund of all or any part of such taxes and interest, (i) to the extent that the refund relates to Investment Tax Credit, it shall promptly pay to the Lessee the amount of such refunded taxes, penalties, and interest plus the amount of any interest received by the Owner from the United States Government with respect to such refunded taxes and interest plus the amount of tax savings realized by the Owner as a result of such payment to the Lessee, and (ii) to the extent that the refund relates to issues other than Investment Tax Credit, the Owner shall promptly repay the Lessee the cumulative amounts paid by the Lessee through adjusted rentals that are attributable to such refunds, plus a reasonable portion of any interest received by the Owner from the United States Government, and shall readjust rentals to a level consistent with the provisions of paragraph (d) of this § 16. Notwithstanding anything to the contrary contained in this paragraph (c), the Owner may at any time, whether before or after commencing to take any action with respect to a proposed adjustment, decline to take any further action with respect thereto, provided that the Owner notifies the Lessee that it waives its rights to any indemnity with respect to any Loss that will result from acceptance of such proposed adjustment. However, the

Owner's failure to contest a Loss does not waive the Lessee's indemnification of the Owner unless the Lessee shall have requested the Owner to contest.

(d) The amount of indemnity payable by the Lessee pursuant to this § 16 with respect to a Loss shall be such amount as will result, in the Owner's reasonable judgment, after due consultation with the Lessee, in preserving for the Owner the after-tax rate of return and after-tax cash flow that would have been realized by the Owner if such Loss had not occurred, based on the rates of Federal, state and local taxes on, based on, or measured by, net income in effect from time to time, but not more than such after-tax rate of return and after-tax cash flow that would have been realized on the bases and assumptions (including, without limitation, tax rates) used by the Owner in originally evaluating this transaction. The Owner shall furnish the Lessee with a notice setting forth in reasonable detail the computations and methods used in computing such amount of indemnity.

The Lessee's obligation to pay any indemnity payable pursuant to this § 16 shall become unconditional (1) in the case of a Loss that is required to be reflected in a tax return of the Owner pursuant to paragraph (b) or paragraph (c) of this § 16, 30 days after the date such return is filed; (2) in the case of a Loss that results from a proposed adjustment of the Internal Revenue Service that is not contested pursuant to paragraph (c) of this § 16, 30 days after the Lessee's receipt of the statement referred to in the first sentence of paragraph (c) of this § 16; and (3) in the case of a Loss that results from a proposed adjustment of the Internal Revenue Service that is contested pursuant to paragraph (c) of this § 16, 30 days after the day on which such contest is finally concluded.

The Lessee shall pay to the Owner a lump sum indemnity at the time its obligation to pay indemnity pursuant to this § 16 becomes unconditional, (A) with respect to a Loss described in clause (i) of paragraph (a) of this § 16, and (B) with respect to any other Loss, if the Lessee's obligation to pay indemnity pursuant to this § 16 becomes unconditional on or after the termination of this Lease. In the case of a Loss described in clause (i) of paragraph (a) of this § 16 (relating to Investment Tax Credit), the amount of the lump sum indemnity payment shall be the amount of the lost Investment Tax Credit adjusted as required by the last subparagraph of this paragraph (d). In the case of any other lump sum

indemnity payment, the amount of the payment shall be determined in a manner consistent with the first subparagraph of this paragraph (d). Any other indemnity payable pursuant to this § 16 shall be structured as level future rent increases, and the Lessee shall commence payment of such increased rent on the first rental payment date after the Lessee's obligation to pay indemnity pursuant to this § 16 becomes unconditional. The amount of rental resulting from any one Loss shall be adjusted from time to time for each change in the Code and the income tax regulations (including, without limitation, tax rates) which affects the Owner's net after-tax rate of return and after-tax cash flow but such adjustment shall not result in an after-tax rate of return and after-tax cash flow more than that contemplated by the Owner in originally evaluating this transaction.

The amount of each payment of indemnity payable pursuant to this § 16 with respect to a Loss shall (A) reflect the amount of interest, additions to tax and penalties payable by the Owner with respect to such Loss, (B) reflect the amount of Federal, state and local taxes on, based on, or measured by, net income (at the rates in effect from time to time), interest, additions to tax and penalties incurred by the Owner as a result of the receipt of such indemnity payment, and (C) reflect payments made by the Lessee to the Owner pursuant to this § 16 and not repaid by the Owner to the Lessee pursuant thereto.

(e) In the event that the Lessee shall be required to indemnify the Owner pursuant to this § 16 with respect to a Loss relating to a Unit or Units, the Casualty Value of such Unit or Units shall be appropriately adjusted so as to reflect, among other things, the reduction (if any) in taxes that will be payable by the Owner with respect to such Unit or Units upon a Casualty Occurrence with respect to such Unit or Units; provided, however, that such Casualty Values shall not be reduced below the amounts required to satisfy the obligations of the Lessor under the CSA and shall be calculated so as to preserve for the Owner the after-tax rate of return and after-tax cash flow that the Owner would have realized if such Loss had not occurred, determined in a manner consistent with paragraph (d) of this § 16.

(f) For purposes of this § 16, the term "Owner" shall include any affiliated group, within the meaning of Section 1504 of the Code, of which the Owner is a member, if consolidated returns are filed for such affiliated group for

Federal income tax purposes.

(g) All payments of indemnity made pursuant to this § 16 shall be made by the Lessee directly to the Owner by transfer of immediately available funds to the account of the Owner specified in Section 2.01(c) of the Trust Agreement or to such other account or in such other manner as the Owner from time to time shall have identified in written instructions given to the Lessee.

§ 17. Interest on Overdue Rentals. Anything to the contrary herein notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount on the overdue rentals and other obligations for the period of time during which they are overdue at a rate of 11-1/2% per annum, or, if such rate is not legally enforceable, then at the highest legally enforceable rate. Except as otherwise expressly provided herein, interest hereunder shall be determined on the basis of a 360-day year for the actual number of days elapsed.

§ 18. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, first class, postage prepaid, addressed as follows:

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department; and

(b) if to the Lessee, at 400 West Madison Street, Chicago, Illinois 60606, Attention of Assistant Vice President-Finance;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at 30 North LaSalle Street, Chicago, Illinois 60693, Attention of Corporate Trust Department, and to the Owner, at 2700 Sanders Road, Prospect Heights, Illinois 60070, Attention of Dwight S. Brackett, Vice President.

§ 19. Severability; Effect and Modification of Lease; Third-Party Beneficiaries. Any provision of this Lease which is prohibited or unenforceable in any juris-

diction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the exhibits thereto, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Owner, the Agent, the Investors, the Builders and their permitted successors and assigns and those of a party hereto), and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

§ 20. Immunities. Anything herein to the contrary notwithstanding, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company for the purpose or with the intention of binding it personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence by said bank or the Owner, as the case may be, no personal liability or personal responsibility is assumed hereunder by or shall at any time be enforceable against the said bank or the Owner, as the case may be, on account of any representation, warranty, undertaking or agreement hereunder of the Lessor or the Owner, as the case may be, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the

Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

§ 21. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall include the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (or any successor thereto) is not entitled to the benefits of other provisions where only the Lessor is named.

§ 22. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary that any counterpart be signed by both the parties hereto so long as each party hereto shall have executed and delivered one counterpart hereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 23. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several

jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by

[Corporate Seal]

Senior Vice President

Attest:

Assistant Secretary

THE CONNECTICUT BANK AND TRUST
COMPANY, not individually but
solely as Trustee,

by

[Corporate Seal]



Authorized Officer

Attest:



Authorized Officer

SCHEDULE A

Specifications of the Equipment

<u>Type</u>	<u>Builder</u>	<u>Quantity</u>	<u>Lessee's Identification Numbers (Both Inclusive)</u>
4,750 cu. ft., 100-ton covered hopper cars	Pullman Incorporated (Pullman Standard Division)	600	CNW 178000 through CNW 178599
65' 6" 100-ton gondola cars	Greenville Steel Car Company	150	CNW 128000 through CNW 128149

SCHEDULE B

Casualty Value Percentage Schedule

<u>Casualty Value Date</u>	<u>Percentage of Purchase Price*</u>
7/1-1980	101.2793
1/2-1981	101.2793
7/1-1981	102.5727
1/2-1982	103.6512
7/1-1982	104.5222
1/2-1983	105.2001
7/1-1983	99.2693
1/2-1984	99.5731
7/1-1984	99.6963
1/2-1985	99.6464
7/1-1985	93.0088
1/2-1986	92.6281
7/1-1986	92.0904
1/2-1987	91.4047
7/1-1987	84.1579
1/2-1988	83.1961
7/1-1988	82.1073
1/2-1989	80.9021
7/1-1989	79.5875
1/2-1990	78.1753
7/1-1990	76.6737
1/2-1991	75.0955
7/1-1991	72.9037
1/2-1992	70.3674
7/1-1992	67.7768
1/2-1993	65.1519
7/1-1993	62.5106
1/2-1994	59.8576
7/1-1994	57.1981
1/2-1995	54.5381
7/1-1995	51.8838
1/2-1996	49.2422
7/1-1996	46.6211
1/2-1997	44.0289
7/1-1997	41.4747
1/2-1998	38.8054
7/1-1998	36.0136
1/2-1999	33.0930
7/1-1999	30.0377
1/2-2000	26.8415
7/1-2000	23.4978
1/2-2001	20.0000
and thereafter	

* As defined in Article 4 of the CSA.